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**SINO-RUSSIAN RELATIONS AND THE IMPLICATIONS FOR THE
ECONOMIC DEVELOPMENT OF NORTHEAST ASIA**

**A THESIS SUBMITTED TO THE GRADUATE DIVISION OF THE
UNIVERSITY OF HAWAII IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF**

MASTER OF ARTS

IN

ASIAN STUDIES

MAY 1999

By

Jesse R. Long

Thesis Committee:

**Eric Harwit, Chairperson
Robert Valliant
Kate Zhou**

We certify that we have read this thesis and that, in our
opinion, it is satisfactory in scope and quality as a thesis
for the Degree of Master of Arts in Asian Studies.

THESIS COMMITTEE

Eva Hwang
Chairperson

Robert B. Dallant

Kate Zhou

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ABSTRACT

The topic for this thesis is Sino-Russian relations. More specifically, this thesis will address Sino-Russian relations as they effect the economic development of Northeast Asia. The economic development of Northeast Asia and the overall relationship between Russia and China are both of great interest to the United States, for reasons both economic and political. China and Russia could both gain much from joint economic development of Northeast Asia, including political and military power. Yet there are also reasons why this region has never been successfully developed, as an analysis of historical and economic factors will show. At this time, there exist far too many barriers to cooperation than exist benefits to be gained from cooperation—but that may not always be the case. Because the situation might change, Sino-Russian cooperation in Northeast Asia must be monitored closely.

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
CCP	Chinese Communist Party
CER	Chinese Eastern Railway
GDP	Gross Domestic Product
GMD	Guomindang (also Kuomintang)
IAEA	International Atomic Energy Agency
IMF	International Monetary Fund
IPR	Intellectual Property Rights
NATO	North Atlantic Treaty Organization
NPT	(Nuclear) Non-proliferation Treaty
RIA	Regionally Integrated Area
RMB	Renminbi
SEZ	Special Economic Zone
TREDA	Tumen River Economic Development Area
TREDP	Tumen River Economic Development Project
TREZ	Tumen River Economic Zone
UN	United Nations
WTO	World Trade Organization

PREFACE

The views expressed in this thesis are those of the author and do not reflect the official policy or position of the United States Air Force, Department of Defense or the U.S. Government.

CHAPTER 1

INTRODUCTION

1.1 Topic

The topic for this thesis is Sino-Russian relations. More specifically, this thesis will address Sino-Russian relations as they effect the economic development of Northeast Asia. The economic development of Northeast Asia and the overall relationship between Russia and China are both of great interest to the United States, for reasons both economic and political. China and Russia could both gain much from joint economic development of Northeast Asia, including political and military power. Yet there are also reasons why this region has never been successfully developed, as an analysis of historical and economic factors will show. At this time, there exist far too many barriers to cooperation than exist benefits to be gained from cooperation—but that may not always be the case. Because the situation might change, Sino-Russian cooperation in Northeast Asia must be monitored closely.

1.2 Purpose and Scope

The United States has had strategic interests in Northeast Asia since the end of WWII, most of which centered on containing Soviet, Chinese, and Korean communism. Over the last fifty years Russia and China developed into powerful nations that displayed suspicion towards West and ill will towards each other. Now, in the era of engagement and enlargement, the U.S. is more interested in spreading capitalism and democracy than in containment. More importantly, however, it has abandoned its reliance on a realist,

zero-sum analysis of international relations. In its place, it has adopted a mostly international view, expecting that all countries should—and will—play by a set of international rules for behavior. This stance promises to make international relations with countries such as China and Russia difficult, because they decided do not subscribe to idealist or internationalist views of international relations. It will also make it difficult to understand or affect the overall Sino-Russian relationship.

The U.S. has a vested interest in understanding the relationship between Russia and China because of the potential power these two countries still wield. The economic development of Northeast Asia will allow these two countries to tap into resources that they have not used before. Because these resources will both add to the economic strength of Russia and China and may promote the development of capitalism and peace in the region, it is important to analyze the state of relations between the two countries. They face a situation that is relatively new and developing, thus the U.S. is in need of new information and analyses of the forces that interact in the region. This thesis will add to the body of knowledge on this subject and will help to shed some light on the modern-day relationship between these two countries, and how that relationship affects economic development in Northeast Asia.

It is important to define some of the terms in use throughout this paper. The term “Northeast Asia” refers to the geographic region that includes China’s Manchuria (Jilin, Liaoning, and Heilongjiang provinces), Russia’s Far East (Amur Oblast, Khabarovsk Oblast, and Primorskii Krai), and North Korea’s Special Economic Zones Rajin and Sonbong. The term “Russia” will usually refer to the Russian Federation, but may also refer to the USSR before its fall in 1991. This is standard naming convention, as Russia

was the dominant republic in the USSR, and administered the Russian Far East before 1991, as it does now.

1.3 Hypothesis and Method

It is this essay's hypothesis that any economic development in Northeast Asia has potential, but the setbacks are too severe at this time to allow significant progress.

Because the presence and potential participation of the other countries in the region is not significant, any development in the region will be left to China and Russia, most likely in a cooperative format. This cooperation is not going to be easily achieved, however, as the barriers are numerous and the current benefits few. This situation is constantly changing with the political and economic tides, however, and will require continued study. Any future cooperation in the region will be driven by self-interest more than ideology or international friendship. Furthermore, generally accepted rules of international behavior will not be in affect, as neither Russia nor China is a full-fledged member of the international community.

The primary method to be used in this thesis is a review of secondary and some primary source information. A comprehensive look at the books, journal articles, and magazine articles will provide the information necessary to draw conclusions. The research process will be supplemented by facts and statistics gathered from various reporting agencies, whether private, governmental, or non-governmental. Important literature and sources are discussed at the end of this chapter, and are listed in the bibliography.

This thesis will attempt to analyze the factors in the Sino-Russian relationship. It will include a synthesis of current data, and evaluation of the developments to date. As mentioned above, the remainder of this chapter consists primarily of a review of relevant literature. Chapter Two covers the history of Sino-Soviet and Sino-Russian relations—from the 1640s to the present—paying particular attention to the economic factors involved, which maintain some relevance today. Chapter Three takes an in-depth look at the current factors that support Sino-Russian economic cooperation, as well as those that serve to hinder cooperation. Chapter Four is a case study that looks at the Tumen River Economic Development Project; this project incorporates many of the factors discussed in chapter Three, and as such provides a useful look at the challenges involved in cooperation. Finally, Chapter Five will outline the implications of Sino-Russian cooperation in the region and what that means for the United States and the West, provided that cooperation can occur. The result should be a work that identifies important characteristics of the Sino-Russian relationship and evaluates the strength of the original hypothesis.

1.4 Important Questions

The main theme of this thesis is the potential—usually unrealized—for Sino-Russian cooperation in the economic development of Northeast Asia. The hypothesis of this thesis, as stated above, is that the economic development of Northeast Asia has much potential, but many setbacks as well. It hinges on Sino-Russian cooperation, due

primarily to the history of the region since around the turn of the twentieth century. This cooperation will be driven by self-interest and not tainted by ideology.

There are several issues to address. First, does the economic development of Northeast Asia depend on Sino-Russian cooperation, or is there a way for each country to progress separately? Will the region be able to develop without Sino-Russian cooperation? Second, what is the history behind Sino-Russian relations? Do the two countries have any hope of being able to cooperate successfully, or will they exist forever in conflict? Can this region be developed successfully? Finally, and always of importance to the U.S., what are the implications for U.S. national security if cooperation does take place? The theoretical perspective applied is the international relations theory of realism (as opposed to internationalism or Marxism). Although one of the other two theories (internationalism) has some potential and will be addressed, we shall see that it is not useful when analyzing the situation in Northeast Asia. In fact, it is detrimental to our understanding of the region and the players involved to apply idealist theories.

1.5 Secondary Players

The two most important players are, of course, China and Russia; the remainder of the essay will focus on these two would-be world powers. There are, however, several secondary players that will receive mention over the course of the next few chapters. These countries, although not critical to the equations presented here, are nonetheless important variables and must be addressed—even if only to explain why their participation in the Economic Development of Northeast Asia is not as critical as Sino-

Russian cooperation. These players are Japan, South Korea, North Korea, the United States, and Mongolia.

Japan was, until its economy collapsed, one of the potential financial backers of development in Northeast Asia. Japan could have been expected to either invest in or provide loans for specific development projects in the region. Its expected participation was never seriously required, however, as Japanese relations with the other countries in the region are historically strained. Even the largest development project proposed for the region—the Tumen River Economic Development Project (TREDP)—did not consider Japan as a full partner.¹ Thus Japan has a secondary role in this analysis.

So too do the Koreas play minor roles. South Korea, which was also a potential investor, is suffering from its own set of economic problems that preclude participation in further regional economic development. In the near future it will be too busy with its own recovery to invest outside of its borders. North Korea is even less likely to be involved in any plans, as it stands on the brink of starvation. While it is true that at one time its ports of Rajin and Sonbong were to be important parts of the TREDP and SEZ-like gateways into a Stalinist country, economic realities have caught up with the ports. North Korea has little to export and little money with which to buy anything. A recent U.S. News and World Report article even suggests that the government has created a vast criminal network in order to fill its coffers.² There is no way—short of setting off a nuclear warhead—for North Korea to affect the economic development of Northeast Asia (even within North Korea's own borders) until the communist regime falls.

Mongolia is the only other country in the region that has a claim to be a "Northeast Asia" country. That is the extent of its claims, however. Trapped between

China and Russia, completely landlocked, Mongolia has always been at the mercy of her neighbors. For most of its history it was under nominal Chinese control, and was only able to declare independence after securing Russian support. Through the end of the Cold War Mongolia was little more than a satellite for the USSR. Mongolia may be free from communist ideology, but it is still landlocked and can contribute nothing to the equation without going through China or Russia.

One last player that deserves mention despite its geographic distance is the United States. Not only is the United States a major source of potential investment dollars, it is also a factor in the political relationships in the region. The U.S. has close political relationships with Japan and South Korea, and occasionally rocky ones with China and Russia. This fact does play an important role, serving as a factor that may push Sino-Russian cooperation forward despite—or even because of—U.S. interests to the contrary. We will discuss this more in Chapter Three. However, the U.S. is in a position neither to drive development forward nor to stop development, even if it so desired, so it cannot be considered a major player.

Thus of all the potential actors on this regional stage, we have to omit all but two from the outset. None of the countries involved have as much to gain in the economic and political arenas as do China and Russia. They appear, at least on the surface, to have the most powerful reasons for developing the region: it will take place mostly on Chinese and Russian territory, the region has plenty of natural resources and labor that have been overlooked for decades, and both need the stability and income that economic development brings. None of the other countries have as much to gain or as much to risk. It therefore falls to Russia and China to develop the region, if they can overcome the

barriers involved. The remaining chapters will investigate if this cooperation is possible, or if we must also omit the remaining two players in this game.

1.6 Relevant Literature

Although the history surrounding Sino-Russian and Sino-Soviet economic relations is long and complex, spanning 450 years and several major political revolutions, there are two themes that appear consistently throughout. The first is the historically poor relations that the two countries have had, and the second is the difficulty of forging strong economic linkages throughout the region in the face of regional political and military pressures. Although the literature on Sino-Russian relations does not always comment specifically about economic cooperation and development in Northeast Asia, it is possible to piece together a very accurate assessment of the economic climate in the region.³ Unfortunately, the picture is somewhat bleak, with many obstacles slowing progress.

The literature reviewed in this essay discusses many of these obstacles over the past 150 years. The books are addressed here in the order in which they address history, from the earliest days of significant Sino-Russian contact to the present day. All address the issues of political relations and economic development in differing ways, but all provide insight into some central questions: what is the status of Sino-Russian relations today? Is it good enough for close political or economic ties between the two countries? What comes next?

Although Sino-Russian relations have been rocky since the first contacts in the mid-17th century, the overall picture did not turn bleak until the middle of the 19th century with the end of the Opium War. S.C.M. Paine's Imperial Rivals: China, Russia, and Their Disputed Frontier (1996) begins to chronicle Sino-Russian relations from this time period. Paine covers four major diplomatic clashes between China and Russia: The Treaties of Aigun and Peking around the Second Opium War, the Treaty of St. Petersburg in 1881, Russian expansion into Manchuria prior to the Russo-Japanese War, and the Mongolian independence movement. The author goes into great detail in discussing each of these events, drawing from both Russian and Chinese sources, as well as English, in order to present a balanced account. Paine finds that over these seventy years China's Russia policy and Russia's China policy evolved with the times, but there are five themes that many of the episodes share with each other. Each theme is an historical myth: original sovereignty, Chinese moderation, Russo-Chinese friendship, Soviet diplomatic discontinuity, and Chinese diplomatic incompetence. Together these myths lay the foundation for poor relations between the two countries and create a history of misunderstanding and mistrust.

Three of these themes are worth further review, as they relate directly to the overall situation this essay will address. A fourth will be addressed later. The first is the myth of original sovereignty. Well into this century, the region around the Sino-Russian border was sparsely populated and relatively isolated. Neither country had significant population concentrations in the disputed areas (Amur region, Ussuri region, Xinjiang, etc.). Neither had a clear picture of the geography of the border regions. And, most importantly, there were few ethnic nationals—either Han Chinese or Great Russian—in

theses regions, which were instead populated with various ethnic minorities. Yet both countries have often claimed sovereignty over these regions, even as far back as the 17th century, as in the case of the Amur region. Citing tributary relationships or exploratory missions, the Chinese and the Russians have laid early claims in order to support their occupation and annexation of these regions.⁴

The most important aspect of this myth is the ethnicity of the people in the border regions, who are neither Han nor Great Russian. These border areas were neither Chinese nor Russian territory, Paine maintains, because each empire treated these regions as hinterlands that were to be suppressed from attacking the core nationality. Neither side had an interest in claiming these lands until the European concept of “Great Power Status” began to affect Russian and Chinese policy. As soon as possessing territory became a symbol of power and national strength Russia turned to the east to annex territory from the Chinese.⁵ The Chinese claimed original sovereignty, but the ethnic makeup of the border populations suggests otherwise. The border regions were a relatively uncontrolled buffer between the core of the Han civilization and the rest of Asia.

A second theme is the myth of moderation on the part of the Chinese who tried to colonize these outer regions in order to strengthen their claims to the lands in question. The Chinese have consistently presented themselves as the liberators and caretakers of ethnic minorities in their border regions, but the record shows this is not true. Muslims in Xinjiang caused uprisings ten times between 1755 and 1878 in order to free themselves from Chinese control; the uprisings were crushed so ruthlessly that the population of the region did not regain its 1755 population levels until after 1910.⁶ In Mongolia, the

Chinese faced six revolts from 1861 to 1901, and defeated them all.⁷ Paine notes that the same pattern of occupation, settlement, and claiming original sovereignty can be seen today in the case of Tibet. This type of treatment eventually drove the Mongolians into the Russian camp, and threatened to do the same to the Muslims in Xinjiang.

A final important theme, and perhaps the most important theme regarding the status of current relations, is the myth of Sino-Russian friendship. Russia, and later the Soviet Union, acted as if it were an older brother to China, or a wise benefactor. Russian diplomats in the late 1800s routinely referred to the 200-year friendship between the two countries, despite the gradual acquisition of hundreds of thousands of square kilometers through questionable means. Time and again, Russia occupied Chinese-claimed territory out of “friendship.” The first time was in the Amur-Ussuri River regions, in order to protect the land from British attack. Later, Russia entered the Ili Valley in Xinjiang in order to protect Chinese and Russian settlements from Muslim uprisings. And finally, they intervened in Mongolia, in order to stop the “cutthroat Baron Ungern,” an anti-Communist Tsarist supporter and Cossack.⁸ Time after time Russia made promises in treaties, notes, and declarations, only to renege nearly every single time.

Not surprisingly, the Chinese grew very cynical about Russian claims of friendship, especially after the Soviets ignored the 1919 Karakhan Declaration, which promised to give all the annexed land back to the Chinese.⁹ Russia took advantage of Chinese military weakness too many times for the ruling regime in China to ignore the threat from the North. By the end of this period (1924), Russia had transformed itself from just another northern barbarian people into an extremely dangerous foe that combined the worst elements of northern barbarianism and European technology. As

early as 1860 some Chinese officials suspected that “the English barbarians are the most unrighteous and uncontrollable, but the Russian barbarians are the most cunning.”¹⁰ The Tsarist government proved this many times before it fell; after it the Soviet Union followed closely in the Tsar’s footsteps despite claims to the contrary (forming the basis of the myth of Soviet diplomatic discontinuity). Thus the period 1858-1924 was severely detrimental to Sino-Russian and Sino-Soviet relations.

In the end, Paine draws a conclusion that is both fully justified by the research and in keeping with the general trend of literature on the subject of Sino-Russian relations. The dispute over the border, which has so damaged the relationship between the two countries, is far from over, and as such will fuel Sino-Russian conflict. The Russians refuse to objectively examine their past, because it would “shatter the delusion from which they have gathered great pride, namely, that Russia had a civilizing mission in China and, as a result, had long been the much-appreciated benefactor.”¹¹ The Chinese, on the other hand, suffer from “feelings of racial superiority coupled with technological inferiority [which] have interfered with conducting an objective examination of the past.”¹² The Russians claim “their relations with the Chinese have indeed been unique among those of the European powers; but, unfortunately, they have been uniquely tense and hostile.”¹³ As we will see in the more recent books, Sino-Russian relations are today still fairly poor, and have much room for improvement. But without an objective assessment of the past, there can be no reconciliation between the two powers, and the tension cannot be relieved.

As mentioned above, one of the themes of Sino-Soviet relations is the myth of Soviet diplomatic discontinuity—the idea that Soviet policy towards China was a far cry

from and a vast improvement over Tsarist policy towards China. Unfortunately, this has not been the case, as is seen in Mongolia. This is an important idea to consider when reading Michael M. Sheng's Battling Western Imperialism: Mao, Stalin, and the United States (1997). In it, the author attempts to debunk neo-realist theories of Maoism, arguing that the Chinese Communist Party's (CCP) diplomacy was driven by "the combined effect of the class struggle outlook and the united front doctrine."¹⁴ Mao Zedong viewed the world as a struggle between the communists and the capitalist imperialists, the CCP and Guomindang (GMD), the pro-Stalinists and the anti-Stalinists. Sheng dives into primary material including:

inner-party documents such as directives, resolutions of the Party Center, and telegrams between Mao and Stalin, various memoirs, biographies, and chronicles of important CCP personalities such as Mao, Zhou, Ruo Ronghuan, Xiao Jingquang, etc., and historical writings by, and interviews with, researchers in China who have privileged access to the central archives of the CCP.¹⁵

In these works the author finds reason to suggest close and friendly cooperation between Joseph Stalin and Mao. In fact, he even goes so far as to declare that "the Sino-Soviet Pact of 1950 should be seen as the end result of a long process from the very beginning of the CCP's history."¹⁶ What he should also state definitively, but does not, is that his argument will support strongly the idea that Mao and the CCP were skilled in the art of adapting their ideology and their plan of attack as the situations warranted. He mentions this briefly in the introduction, but should expound upon the idea.

Sheng begins with the roots of Mao's pro-Soviet policy before 1937. He traces some of the pivotal decisions from 1926 through 1937, often coming to the conclusion that Mao's ideas were usually foolhardy and dangerous, and were usually countermanded by Moscow. Here Sheng immediately begins to undermine the idea that Maoist policy was neither realist nor "western action Chinese reaction" politics, but instead was driven

by the commitment to class struggle.¹⁷ The distinction that he makes between the realist viewpoint and his own is fuzzy at best, however. He concludes Chapter I with the claim:

Mao and his colleagues had more than ideological reasons to maintain their commitment to international communism lead by Moscow...Since Mao and his comrades perceived that the very survival and future development of the CCP was dependent on Soviet material and political-psychological support, it is no wonder that they acted as loyal and obedient subordinates of Moscow.¹⁸

Sheng further declares that "Mao's respect for, and obedience to, Stalin saved the CCP in numerous critical moments when Mao's impulsiveness and radical policy could have doomed the communist cause then and there."¹⁹ In other words, Mao's ideological commitment to class struggle was often superceded by Moscow, and thus not a major factor in the progress and success of the CCP. This line of reasoning is very close to the realist paradigm, although Sheng labels it flexibility in the face of outside pressure.

This is not to suggest that the book is not well written. Sheng goes into great detail to provide the reader with a wide variety of sources, although almost all are specifically from within the CCP, and subject to the vagaries of CCP politics. After covering the pre-1937 period and the war of resistance, the author turns to US-China relations before Pearl Harbor, from 1942-1945, and then through the end of the Civil War in China. These chapters detail almost every meeting and agreement between the CCP, GMD, the US, and/or the USSR. By the end, the reader comes away with a clear picture that the CCP maneuvered excellently within the confines present at the time—namely, a forced alliance with a much stronger GMD, little ideological support from Moscow, and pressure from the world's strongest military power. At no time did the CCP give up their communist commitments, but Sheng shows they did sacrifice where necessary.

Sheng's most interesting argument is neither CCP realism nor CCP idealism, however. Instead, it is the strength of the relationship between Mao and Moscow. Contrary to the bulk of the work in this field, the author argues for very close relations between Mao and Stalin. Sheng suggests that Mao did nothing to discredit or disagree with Stalin until Stalin died and Mao was presented with an opportunity to become the ideological leader of the communist world.²⁰ In fact, Mao put a new spin on all of the CCP's history after Stalin died, in order to appear the better of the two. There is no evidence presented that suggests Mao objected to Moscow control throughout the period 1926-1953, or that Mao objected to the Soviet occupation of Manchuria after the war. Only after were the objections raised.

There are several ways to incorporate Sheng's position into the entire body of knowledge on Sino-Soviet relations without having to declare one source or another incorrect. We can consider this time to be one of the few when China and the USSR had similar ideology, and thus had every reason to cooperate. Or, we may consider them equally matched militarily, and thus neither could afford to attack the other with territorial demands. Lastly, we can conclude that Sheng's description of CCP flexibility in the face of situation pressures is correct, letting each reader decide for himself whether that flexibility was ideologically driven or based in realism. It is this last course of action that seems most appropriate, as it not only is supported by Sheng's arguments, but also allows room for the idea that the CCP may have been completely unable to let the ill will for the Soviets show through. Thus the Sino-Soviet relationship may very well have been poor, with only the CCP's dependency on the USSR keeping the peace. As history bears

out, it was a peace that did not last—it started to fall apart almost immediately after Stalin died—again suggesting that the ill will was still there, waiting for a time to reappear.

The bulk of the work reviewed in this essay addresses the situation since the end of the Second World War. From Soviet interference in the Korean War through modern Russian and Chinese economic development, these books lay the foundation for analyzing the prospects for Sino-Russian cooperation on the region. In chronological order of subject matter, the books in question are: Russia in the Far East and Pacific Region (1994), edited by Il Yung Chung and Eunsook Chung; Russia-China-USA: Redefining the Triangle (1996), edited by Alexei Voskressenski; China and East Asia Trade Policy, vol. II: Regional Economic Integration and Cooperation (1995), published in the Pacific Economic Papers Series; and The Growth of China and Prospects for the Eastern Regions of the Former USSR (1996), by Alexander Nemets. Together they attest to the political and economic challenges which Russia and China must face. There is potential in the region, and there is hope for cooperation, but it has been—and will be—an uphill battle.

Russia in the Far East and Pacific Region concerns itself with three areas of Russian participation in the Far East—the role of the USSR in Korea, the rise of New Russia, and Russian relations with its neighbors Japan, the US, and, most importantly, China. Instead of having one author cover every topic, Chung and Chung rely on twelve different authors, “each of whom is an acknowledged specialist in his/her field.”²¹ The editors allow each author to speak for himself/herself without editorial comments. A conclusion has been purposely omitted so that the reader may independently draw his own. However, the editors do note in the introduction that “several of our contributors in

fact pay particular attention to this of Russia's dwindling ability aspect [too few resources to concentrate on the Far East]" and that "Russia seemingly has no clear image of the future of the Asia-Pacific region."²² Several of these essays are worth further review.

As mentioned above, this book begins its account in Korea following W.W.II. In "The Role of the USSR in Liberating and Partitioning Korea," Marina E. Trigubenko draws standard conclusions about the actions of the USSR in Korea—namely, that the USSR installed a North Korean government based on class struggle and Stalinism.²³ The second essay, Hakjoon Kim's "Soviet role in the Korean War," is important for understanding the continuing influence of the USSR in Asia. First, Kim outlines early Soviet claims that the South invaded the North to start the war, and documents the gradual change in attitude that eventually forces Soviet historians to reassess the claim.²⁴ The final nails in the coffin are the two trips to the USSR that Kim Il Sung made in 1949 and 1950, immediately preceding the war.²⁵ These trips provided strong support for the idea that Stalin not only knew of the plan to invade South Korea, but also approved.

This is an important point because it supports Paine's earlier claims of the myth of Soviet diplomatic discontinuity. Kim shows that Stalin was very involved in extending influence over other countries in the Far East—even to the extent of forming a treaty with North Korea in 1961, as Georgi D. Boulychev discusses in "Moscow and North Korea." Of course, this treaty did not guarantee close relations between the two countries, which soured after 1960 and led to closer North Korea-China ties.²⁶ Thus China and Russia were once again competing for influence and control in East Asia. Boulychev ends with the conclusion that strong relations with North Korea are necessary to avoid a "sharp decline in relations with Moscow (and eventually Beijing) [which] might increase the

feeling of being cornered among the Pyongyang leadership and the consequence could be disastrous.”²⁷

With this in mind, Chung and Chung turn to the case of New Russia. Alexander N. Panov, in his “The Problem of Regional Stability and Security,” captures the key issue in one succinct paragraph:

So, there are two major tensions in the region—the tendency of hope and the tendency of uncertainty. Which one will prevail? Of course, there are all the possibilities for further development of the tendency of hope, positive factors of which may continue to lead and become dominating. But before that, the steps to remove or lessen the main elements of the tendency of uncertainty must be made. How can it be done?²⁸

His answer is political harmonization, economic integration, and military reduction under the guidance of ASEAN, the NPT, and the IAEA.²⁹

But is there a reason to be this hopeful? As Panov documents earlier in his essay, there are numerous stumbling blocks in the region: the restructuring of the Russian forces in the Far East, possible Japanese militarization, the modernization of weapon systems across Asia (but especially in China), the threat of US troop cutbacks in Korea, and the territorial aspirations of the Chinese. These are important issues, and dangerous, considering the distrust among these countries, especially between China and Russia. Paine would not be so optimistic; nor would Sergei E. Blagovolin and Sergei Y. Kazennov, authors of the next article, “Russia’s Weapons Export and Its Influence Upon East Asia.” They note the serious nature of the current arms race in Asia that, for political, economic, and military reasons threatens regional security. Asian nations are due for military upgrades (their current stocks are severely out-of-date), arms are cheap (especially from Russia), the economic boom of the early 1990s—which still continues in China—has provided more money for purchases, and the political stability of the region

is decreasing in the post-Cold war order.³⁰ These aspects combine to worsen an already unfriendly situation.

The remainder of the essays deals with Russia's unilateral relationships. Of these relationships, the most pertinent is the relationship with China, covered in Vladimir I. Ivanov's "Russia in the Pacific: Prospects for Partnership with China." Ivanov is also doubtful that China and Russia will work together with ease. Although there are similarities between the two countries, such as regional aspirations, a shared communist past, and shared anti-Western feelings, "these shared interests probably do not exclude both the motives to compete and reasons to distrust each other."³¹ Ivanov suggests that Russia needs to facilitate economic ties with China, secure bilateral strategic ties, and seek "partnership-type contacts."³² If this can be accomplished, the future looks bright. Unfortunately, Ivanov concludes that there are problems ahead, as "Chinese experts privately express the view that regardless of the political system, Russia will pose a threat to the region again when its economy stabilizes."³³ It is difficult to think that relations between two countries can be peaceful and strong if one country considers the other a near-future threat.

There are more scholars who cast a wary eye on the idea of pleasant Sino-Russian relations. Following Chung and Chung's work by two years is editor Alexei Voskressenski's compilation of ten more works on Sino-Russian and US-Asian relations. Several essays specifically discuss the situation in the region and the prospects for economic development and cooperation. First of these is Voskressenski's own article, "Russia's Uncertain Transition to the Market: The Ongoing Debate." The author discusses the Gaidar Reforms, which achieved none of the stated goals, as well as the

attempts at privatization of state property, which mostly ended up in the hands of the former communist elite.³⁴ He then goes on to list several major criticisms of the reforms—namely, that the Russian model should not be a copy of the Polish model (but was), that the Soviet military-industrial complex needed more attention, and that “for at least two decades Eastern and Central European countries which are now taken as models for reforms have been accepting foreign aid to a much greater extent than Russia.”³⁵ Voskressenski concludes that the reforms are failing, and that there is a risk of neo-fascism.³⁶ Clearly, the situation is not as hopeful as some would like to portray.

Yuri M. Galenovitch’s contribution, “Russian-Chinese Relations: A Tentative Beginning,” is not optimistic, as one can gather from the title. Galenovitch makes an important point early on:

I think that the history of relations between Russia and China is an uninterrupted process and that each new period of state relations has not started from a clean slate. It is impossible to disregard or discount past relations. Past relations are the common part of each nation’s history. For Russia and China, there has been about four centuries of relations between them. This has to be taken into consideration as we look at the present situation and the prospects of the development of future Russian-Chinese relations.³⁷

The author then proceeds to outline many of the same arguments already discussed above—lukewarm relations, national self-interest, human rights issues and, importantly, stereotypes in the minds of government officials.³⁸ Thus not only Chinese scholars, such as Sheng, see potential problems with short-term Sino-Russian relations—Russian scholars do as well.

Following this essay, Voskressenski returns with a second essay, “Concepts of Sino-Russian Relations and Frontier Problems in Russia and China.” Voskressenski raises many of the same issues Paine raises, focusing specifically on the historical memory of the Chinese:

Chinese scholars repeatedly argue that China's weakness in the 19th and 20th centuries prevented the government from adequately defending the country's interests. Thus, China lost a considerable part of its territory traditionally considered 'within the sphere of influence of the Chinese empire.' In terms of national psychology, this kind of loss cannot be forgotten.³⁹

Voskressenski does not suggest that the Chinese will necessarily try to reclaim these territories, but there is the possibility for much instability in these outlying areas that used to have connections to China.⁴⁰ The author also discusses the myth of nationalism and original sovereignty, as well as the series of treaties that allowed Russia to carve large chunks of territory out of the Chinese empire. In conclusion, Voskressenski finds some hope within the rubble of the past:

Within the last several years, both countries have decisively attempted to reject most of the ideological deformations in their relationship which have resulted in years of totalitarian rule. It is obvious, however, that political will alone is not enough to resolve all of the problems created by ideological bias...The current historiographical concepts in both countries still lag behind the unprecedented social and political changes in the region, thus constituting a base for future potential conflict.⁴¹

Voskressenski concludes, quite correctly, that the past is a major stumbling block, and it will take a concerted effort to get around it.

Voskressenski's final article is entitled "New Dimensions in the Triangle: The Post Cold War Russian-Chinese-US Relationship." The end of the Cold War greatly affected the existing triangle of relations in some ways, but in others little has changed. Ideology has almost completely disappeared, but each side still worries about the other two forming an alliance. The Soviet threat is gone, but the US still needs to maintain a strong military presence in the region. Despite the similarities to the Cold War era, these changes are a good sign for Chinese-Russian relations. Russia is now an economic partner in the region, not a politico-military power.⁴² Both sides have an interest in resolving tensions along the border and among ethnic minorities. For the first time, it appears that Chinese and Russian regional goals match without being driven by ideology.

One of the issues that can—but will not necessarily—drive China and Russia together is trade. Voskressenski considers trade to be of “critical importance for both countries in the future in developing a new kind of bilateral relationship.”⁴³ Although illegal immigration of workers or market saturation by the Chinese could threaten the trade relationship, this will not happen if both sides are vigilant. Thus there is some potential for overcoming the barriers of the past in the realm of trade and economic cooperation—in other words, due to the pressures of economic self-interest.

But are the Chinese and Russians ready for economic cooperation? That is the subject of the next two books: China and East Asia Trade Policy, vol. II: Regional Economic Integration and Cooperation (1995), published in the Pacific Economic Papers Series; and The Growth of China and Prospects for the Eastern Regions of the Former USSR (1996), by Alexander Nemets.

China has made much progress in improving trade relations with its neighbors since 1991. Most of it, however, has been focused on the “Greater China” area of Guangdong, China, Taiwan, and Hong Kong/Macao. This is where most of the pre-1991 progress was made, as trade with Northeast Asia was minimal before the final thawing of the Cold War. It is also the area most likely to be successfully integrated economically. This is because China, Hong Kong, and Taiwan are ethnically and culturally similar, Hong Kong has returned to Chinese rule (as will Macao in 1999), and, arguably, relations with Taiwan have been better than relations with Russia. The Pacific Economic Papers compilation released by the Australia-Japan Research Center in 1995 therefore deals mostly with the Greater China area. It does, however, devote one third of the papers to Northeast Asia, and the other papers provide important views on the general economic

situation in the world today, as well as on the prospects of China's success in these matters, which may strengthen their ability to participate in Northeast Asia.

Kym Anderson and Richard Snape's "European and American Regionalism: Effects on and Options for Asia" discusses the development of regionally integrated areas (RIAs) and the implications for Asia. RIAs such as the European Union (EU) or the North American Free Trade Association (NAFTA) have implications for Asia because they may distort trade and hinder total global development (by diverting trade from outside areas) in order to improve trade within the RIAs.⁴⁴ Asian economies will be forced to deal with these RIAs and the tariff barriers they erect to the outside world. China and the others may look for ways to circumvent the tariffs, lobby for better access to RIA markets, or even seek membership in NAFTA.⁴⁵ There is the possibility of turning APEC into an RIA, but that is not likely. Instead, the "Western Pacific and North American economies could continue not only to seek a strengthening of the WTO, but also to liberalize their economies unilaterally."⁴⁶ It would not be wise to allow organizations such as NAFTA to strengthen at Asia's cost. China is forced to consider the possible effects of NAFTA as it works towards its own liberalization.

In "Impact of NAFTA on the East Asian Economies," P.J. Lloyd elaborates on the effects that NAFTA could have on East Asia. A specific example: Asia sends almost 28% of its merchandise exports to NAFTA countries.⁴⁷ Dropping the barriers between NAFTA countries may alter the balance of trade and reduce Asia's share of NAFTA's markets. Furthermore, the complete elimination of tariffs on Mexican goods will make Mexico a better place from which to import textiles and apparel.⁴⁸ The best solution would be for NAFTA to expand to Asia countries like China. This is not likely to happen

in the near future, if at all, leaving China with pressure to find other nations with which to cooperate, such as Taiwan, Hong Kong, or even Russia. Currently, Chinese success is much greater in the south than it is in the northeast.

Fortunately, China is responding favorably to the pressure to integrate. In "Economic Integration of the China Circle: Implications for the World Trading System," Yun-Wing Sung provides a large set of statistics on trade within Greater China. He expects "rapid continuation of economic integration in the China Circle" due to cultural affinity, comparative advantage, and preferential treatment.⁴⁹ This will only improve when Taiwan authorizes direct trade between Taiwan and the Mainland (as opposed to routing everything through Hong Kong), although it will decrease slightly after China enters the WTO and is forced to drop its preferential treatment of investment and trade from Greater China.⁵⁰ The only major objection to Sung's optimism is found in Jiann-Chyuan Wang's "The Prospects for Economic Integration among Taiwan, Hong Kong, and China." Although Wang concludes that "the trend of increasing trade and investment among these three economies is irreversible,"⁵¹ we must take into consideration that:

Despite the expected improvement in some of the factors currently constraining intra-regional trade, such as a deficient transportation infrastructure, overvalued currency and lack of purchasing power, and the considerable growth anticipated in trilateral trade within the region, political disputes and differences both in stages of development and politico-economic systems cannot be easily resolved in a short period of time.⁵²

Thus there are positive signs, as well as room for improvement. China is showing promise of being able to economically integrate within regions, albeit within regions that have many cultural similarities.

But does China's progress apply to other regions? The answer, found in Richard Pomfret's "Regional Economic Cooperation in Northeast Asia: The Tumen River

Project," is a definite "maybe." According to Pomfret, "The Northeast has lagged in China's rapid economic development over the last fifteen years, and especially now that the military threat from the USSR/Russia has subsided, the central government is prompting economic reform and diversification in Jilin and Heilongjiang provinces."⁵³ China is willing to work with the other countries in the region, but progress is slow due to differing goals, mutual suspicion, and continuing border disputes. It is difficult to get countries as diverse and unfriendly as China, Russia, Japan, Mongolia, and both Koreas to agree on anything. Thus it will take time before we see China make progress towards regional economic integration.

China therefore appears ready, at least in some respects, to begin economic cooperation with Russia. But is Russia ready? Alexander Nemets' The Growth of China and Prospects for the Eastern Regions of the Former USSR has some answers. First, Nemets introduces and explains the plan to develop the northeast region and integrate it with the areas across the Russian border. He covers every major aspect of Chinese development in the region—transportation, railroad, telecommunications, highways, etc. Then he moves on to discuss Chinese provincial trade with Russia. Nemets shows that the Russians, at least on the local level, are ready. "Local leaders have to take a pro-Chinese position understanding that only economic ties with China can currently prevent the local economy from catastrophe," he explains, suggesting that the economy at the national level is falling apart, but that at the local level is still functioning.⁵⁴

Nemets addresses each province along the Russian border. The Buryatian Republic, home to one million people, has started more than twenty joint ventures (JVs) with Chinese companies. The Chita region, long devoid of development due to proximity

to the Chinese border, exported US\$100 million worth of goods in 1993 now has more than forty JVs with the Chinese. The Amur region traded over US\$200 million in 1994, with sixty Chinese-Russian JVs. Finally, the southern 20% of the Maritime Territory has become so integrated with China that Nemets claims, "if the situation in Russia does not change drastically by the year 2000, the Maritime Territory will lose most of its ties with the other parts of Russia and find itself part of the emerging Northeast Asian Economic Block."⁵⁵ It is clear that the local economies are opening to Chinese investment, trade, and joint ventures, but that this trend is not reflected at the national level.

Nemets then goes on to provide a brief history of Sino-Russian relations in order to explain the significance of Russian peace overtures in May of 1991. China is finally beginning to regain some of the rights lost in 1858 and 1860. China proceeded to provide Russia with items that Eastern Europe used to provide, and succeeded in buying weapon systems from Russia in 1993, during one of many political crises in Russia.⁵⁶ Nemets dwells on these military sales for several pages, convinced that they portend much larger agreements on the horizon. The period 1993 to 1995 saw further Russian decline and increasing Chinese strength, leading Nemets to conclude remarkably:

Does it mean that the authorities in Moscow are ready to support all Chinese plans towards the eastern regions of Russia described in the previous chapters? The facts given in this chapter leave no place for doubts.

The relations between China and Russia in all these fields, if taken and considered together, greatly exceed the frames of usual cooperation between two separate countries. It looks like some alliance is taking shape. And there would be no mistake in such a conclusion.

Another question appears here: how can such an unnatural alliance between Communists and non-Communists take place?

The answer is very simple: both sides have a pragmatic approach to the problem and take into account common geopolitical interests; it provides a solid base for cooperation in the military field, in technology, and in the economy.⁵⁷

Are the odds for a Sino-Russian alliance truly as great as they seem in Nemets' work? The answer today is the same as the answer in 1995—no. Nemets and other

optimistic writers overestimate the prospects for the relationship. In fact, the Sino-Soviet/Russian relationship has almost always been poor, as Paine and Voskressenski describe. This is not to suggest that Sino-Russian cooperation is impossible, or that the pro-cooperation authors have no valid points. The data that Nemets provides is useful and supports his conclusion. However, there is a leap of logic required to conclude that because the central Russian government is in no position to support the economic development of Eastern Russia, they must therefore be eager for China to take over were they have failed. In fact, as Voskressenski or Pain might argue, history has created too much mistrust for this to happen. Excessive Chinese intervention in Russia would be a cause for withdrawal and conflict, not alliance.

So, if there will be no alliance, then what will there be? The literature review here suggests that there can be progress, but it will be highly conditional. Many of these authors have valid points, and present information on both sides of the question. Paine lays the historical foundations for conflict and mistrust, which still exists today, although he does leave room for the possibility of future cooperation if the border issues can be resolved peacefully. Sheng supports friendship, but one based more on personal alliances rather than on economic cooperation or international goodwill. Chung and Chung's contributors see potential for hope, but are well aware of the setbacks in Sino-Russian relations. In terms of economic development, the contributors to the Pacific Economic Papers suggest the same—strong statistics, room for hope, much more room for improvement. Finally, there is Voskressenski, who, despite two earlier essays leaning away from cooperation, concludes with the thought that nothing worse than a return to world bi-polarity will occur if Russia and China cannot cooperate.

Most of the authors conclude that China and Russia are following a fairly moderate course, somewhere between the extremes of Sino-Russian alliance and massive economic chaos. A balanced view requires an understanding of many aspects of the relationship—Russian political instability, economic liberalization in both countries, regional trends towards economic cooperation and integration, and the weight of history. Depending on the weight assigned to each of these variables, the reader may draw a picture either rosy or bleak. The literature reviewed in this essay suggests that any picture should be painted more bleak than rosy, at least until more unilateral progress (especially in Russia) can be made.

The status of Sino-Russian relations and the questions surrounding Sino-Russian economic cooperation are far from settled. A comprehensive investigation of the literature presented in this review does lead to one conclusion, however. It appears that there are more weak areas and challenges to cooperation than there are strong points and factors supporting cooperation. It is possible that this situation will change in the coming years, but so far the weight of history and the economic chaos in Russia at the national level is too severe to allow close economic ties. Until the Russians are able to stabilize their economy and political system, there can be no effective Sino-Russian cooperation. The economic and political systems are too disparate at this moment in time. It is expected that China will continue to liberalize its economy and increase its trade with East Asia, but Russia will not. The region is stalled at the crossroads, waiting for Russia to move.

CHAPTER 2

THE PRIMACY OF SINO-SOVIET RELATIONS: EXAMINING HISTORY

2.1 Original Inhabitants and Early Chinese Exploration

In order to explore the economic motivations for the Sino-Russian border relationship, it is necessary to cover the history of Sino-Soviet relations, at least to some extent. For considerations of length, this chapter will not recount the entire history of Chinese and Russian territorial development, assuming sufficient knowledge of world history prior to the modern period. Since the modern period, dating from the Opium War, is more relevant to the current situation, this paper will focus on that period. A brief discussion of the Sino-Russian contact that took place before the Opium War will precede the bulk of the paper, which breaks the modern era into several periods, all loosely based on shifts in the leadership of the two countries. This will aid in showing that, with the exception of the latter half of Mao Zedong's rule, economic motives transcend the quirks of individual men.

The relationship between China and Russia has never been consistently strong. Although not always sworn enemies, the Chinese and Russians have nevertheless experienced many periods of animosity. One of the biggest problem areas is their shared border, including the territories in the immediate area as well as the border demarcation itself. Over the course of four hundred years of contact, the Sino-Russian border has only recently been fully demarcated. Despite numerous changes in state leaders and even entire governments, the border issue remained unsolved—and for good reason. Over time, the importance of the border has varied depending on how much each country

desired to push the issue. At times, it was in one country's economic interests to apply pressure on the other. At times, there has been nothing to be gained, so the issue lies dormant. Either way, the two states never made any serious progress in settling the border problems.

It is this chapter's thesis that the historical relationship concerning the border between China and Russia is based primarily in economic expediency, and almost never on "friendship" or alliance. At any given point in time, at least one of the two states has wanted not to settle the issue. Instead, each country uses the border—and the regions along the border—to advance its economic interests at the expense of the other. Only recently has there been any evidence that China and Russia see that there is more to be gained through cooperation rather than conflict. As long as the two countries continue in this mindset, then it is safe to say that the two countries have finally turned a corner in their relationship that will end border conflict for the foreseeable future. The amount of trade between the two countries is projected to grow through the year 2000, making it much more profitable for the two countries not to fight over the border. If it ever becomes more economical to press the issue, however, another flare-up will occur. Timing is always a matter of military or political strength, but the reasons behind the actions are economic. The underlying rationale for the state of border relations is, and will continue to be, economic expediency.

Our story begins in the early 1640s. After capturing Beijing and pushing the remaining Ming forces into southern China, the Manchus, as the new leaders of China, moved to take over from the former Chinese dynasty and to consolidate their control over the outlying regions. As the far northeast, consisting of the Ussuri River and Amur River

areas, was closest to the Manchus' homeland in present-day Manchuria, it was a simple matter to restore Chinese control over the region. The first Russian expedition into the region, lasting from 1643-45, was actually an incursion into Chinese territory, although the Russians were apparently unaware of the relationship between the Chinese and the Amur region natives.⁵⁸ Unaware of the political situation, other Cossack explorers returned in 1649 and 1650 and created a fort out of a captured native settlement at Albazin. As China scholar Vincent Chen documents, however, "as early as 1650 the Manchu power of China was already established in the Amur region and in Western Khalkha right up to the Russian frontier in the Altai, though the Russians failed to recognize it."⁵⁹ This oversight caused the Russians to consider the territory unclaimed.

It was the fort at Albazin that would prove the most troublesome for the Chinese, in this period as well as in the future. From Albazin, as well as from Nerchinsk and Khabarovsk, the Russians slowly began to move into the region. Despite a skirmish in 1652, in which the Russians repulsed a Chinese military advance into the region, the Chinese refused to take swift action against the Russians.⁶⁰ Instead, they focused on consolidating their rule over China proper and left the Russians to their own devices. The Chinese even accepted Russian trading missions in 1660 and 1669, which resulted in handsome profits for the Russian traders.⁶¹ From the earliest times, therefore, the Russians were well aware of the economic advantages of trade with China. The fact that the Chinese were not pressing the Russians over the fort at Albazin, over which the Russian government itself assumed administrative control in 1671, only encouraged Russian development.⁶²

Manchu China turned its attention to the Russians in the 1680s after completing its sweep through southern China. The most dangerous elements of the pro-Ming resistance had been wiped out, all of China proper was under at least nominal Qing control, and even Taiwan was once again a Chinese province. With these gains in hand, it was time for the Kangxi Emperor to look to the northeast. On 23 June 1685, after several attempts to negotiate with the Russians, a Manchu army of 3,000 attacked and overran the fort at Albazin. Assuming that the vanquished Russians would see the error of their ways and never return,⁶³ the Manchus allowed the Russians to retreat, not realizing that they would only return to Albazin in the autumn.⁶⁴ In light of this defeat, however, the Russian government decided to consolidate its position in eastern Siberia and agreed to treaty negotiations. Given the strength of the Chinese army in the region and the problems in the Crimea at this time, the Russians thought it wise to cut their losses.

In 1689 the two governments finally began the negotiations. The Treaty of Nerchinsk, signed in September of 1689, established the Sino-Russian border “from the Erhkuna/Argun River eastward to the Rivulet Kerberchi, along the Kerberchi northward to the Outer Xingan/Stanovoy Mountains and along this mountain range eastward right to the sea of Okhotsk.”⁶⁵ It also, however, granted the Russians some measure of cross-border trade. Thus the Russians secured international recognition of almost all their territorial gains in the seventeenth century as well as the right to bring a trading caravan into China every three years.⁶⁶ For the Russians, trade was much more important than the territory around the Amur River. Thus for the Russians the issue was as much economic as it was territorial.

To this end the Russians wasted no time taking advantage of the right to trade with China. Between December 1689 and 1697, Russia sent seven caravans to Beijing, and another twenty in the ten years from 1698 to 1718.⁶⁷ After 1720, however, the trading slowed down and became less profitable. Peter the Great's solution was to send another mission to Beijing, requesting a renewal of trade. R. K. I. Quested, a noted Sino-Russian scholar, confirms that "for its part the Russian government was prepared to make substantial concessions if it could ensure the improvement of the China trade."⁶⁸ Once again the Russians considered the border issue as little more than a tool to forge a profitable economic agreement. Peter the Great died shortly after sending out the negotiating mission, but Catherine I supported the mission and the desired agreement.

That agreement, signed on 14 June 1728, was the treaty of Kiakhta. Similar to the Treaty of Nerchinsk, the primary results were twofold. First, the Sino-Russian border was extended from the Sea of Okhotsk (where the boundary delineated by the Treaty of Nerchinsk ended) westward to the Altai Mountains, near the present-day Russia-China-Mongolia junction in the west.⁶⁹ This secured the territory of Outer Mongolia, which had been plagued by Russian interference, for the Chinese. Second, the treaty granted further trading rights to the Russians. Two trading posts would be opened on the border, caravans would still be allowed to travel to Beijing, and the Russians would be allowed to send a church mission to Beijing.⁷⁰ Once again Russia placed economic motives ahead of territorial pursuits, and was satisfied with this situation into the nineteenth century.

2.2 Russian Expansion

As early as 1803, Russia was again looking to the Amur region with economics in mind. A mission was sent to China to ask for shipping rights on the Amur River and for the general opening up of the entire border region for trade.⁷¹ China, still at the peak of its power and economic self-sufficiency, declined. Unfortunately for the Russians, a series of crises in Europe—including the Napoleonic Wars, a Polish uprising against Russia, and the Revolutions of 1848—kept Russia preoccupied and unable to force the issue. Once these problems were under control, however, Russia was free to shift its focus back to China.

The China that Russia saw in 1851 was nothing like the China of 1803. Although China had started its decline, Russia was too preoccupied with its European campaigns to notice. The advent and conclusion of the Opium war, however, made it clear to all that China was no longer a significant power. It had no military strength, and after Britain and France levied their demands, it was clear that China had no political strength as well. China almost ceased to be a sovereign power, no longer able to put up any resistance to foreign political and economic pressures. Russia, it seemed, might not have to negotiate for the Amur shipping rights after all. There was much to be gained from making a move against the Chinese, and the Chinese were not in a position to fight.

The case for moving against the Chinese was significant. Not only were the other European powers carving out spheres of influence in China proper, but they were probably looking to the border regions as well. Russia would lose out if it did not act fast. It had an overall population of 67 million, finally enough to populate the land in

eastern Siberia, and to farm the wheat that could be grown there in the warmer climate. Almost half of its manufactures were sold to China as early as 1847—a share that would certainly drop as European imports took business away from the Russians. Furthermore, the shipping issue remained unsolved, on hold since the turn of the century. Considering the economic possibilities and rewards available, the Russians had every reason to move against China. Fortunately for the Russians, the Crimean War was only a minor loss, and caused only a minor loss of diplomatic face. Their military strength was intact, and although it was no match for the English and the French, it was more than enough to threaten the Chinese. Yet again Russia pressed the border issue to secure economic advantage.⁷²

The Russians chose to portray themselves as friends to the Chinese, however, instead of simply imposing their will on the Chinese government, as were the West Europeans. In 1854, in 1855, and again in 1856, Russia sent troops into the region north of the Amur River, in order to protect the region from any invading British forces.⁷³ By 1858 it had secured the Treaty of Aigun, which moved the Sino-Russian boundary south to the left bank of the Amur River.⁷⁴ This redefinition of the border affected an area of 600,000 square kilometers. In exchange for this territory, the Chinese were to receive a supply of much-needed weapons for the struggle against the colonial powers. Considering that ethnic Chinese never settled in the Amur region, the trade of land for weapons would not have been totally unacceptable to the Chinese, had the promised weapons materialized on time. Instead, they did not arrive until 1862, two years too late to stop the British and French forces from occupying Beijing and ending the Arrow War in 1860.⁷⁵ Figure 2.1 shows the territory annexed by Russia from 1858-1860.⁷⁶

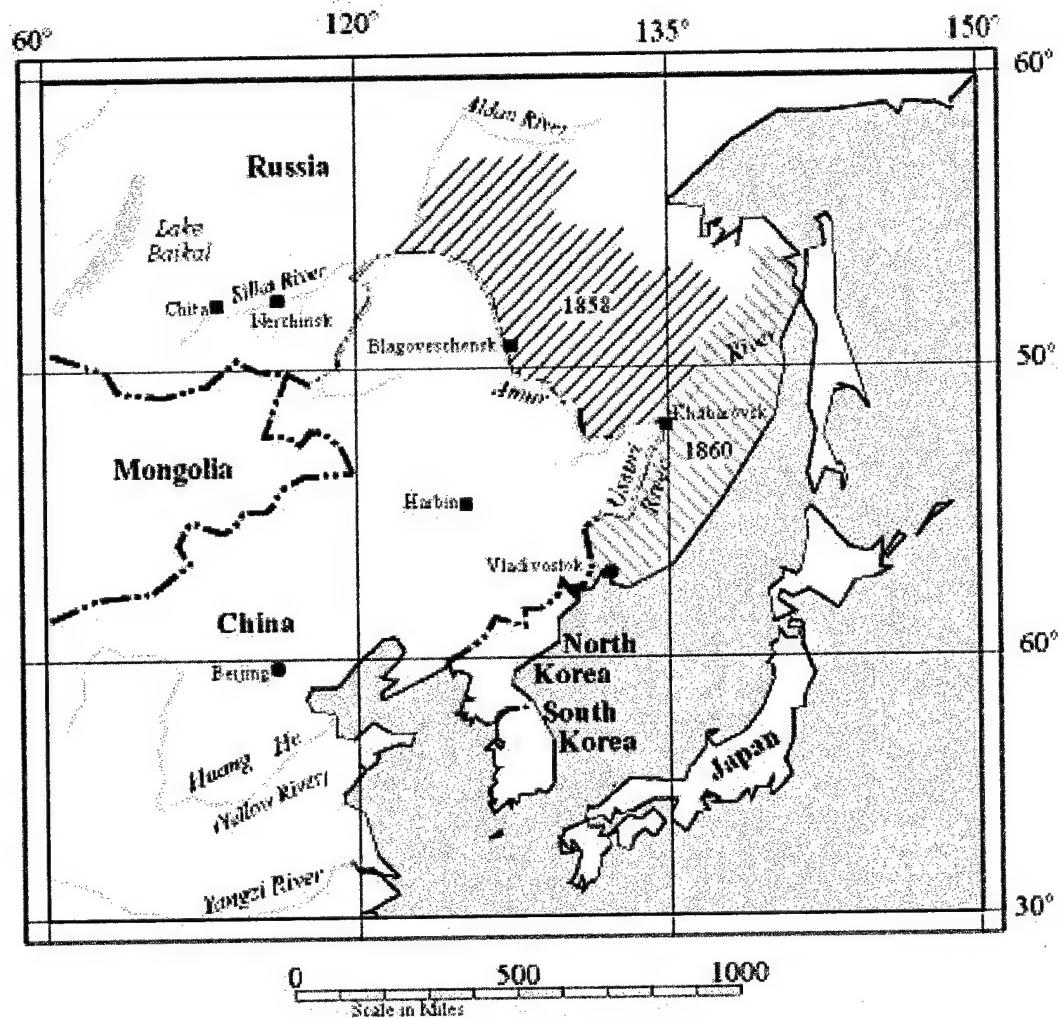


Figure 2.1. Northeast Asia and Russia's Annexations 1858-1860

Almost before the ink was dry on the Treaty of Aigun, the Russians had already started to push for more land. This time they succeeded in acquiring the territory from the Amur River south to present-day Vladivostok. The Treaty of Beijing gave Russia an additional area of 400,000 square kilometers. Although this may appear to be a second land grab spurred on by a Russian version of Manifest Destiny, there were actually several economic motives that accompanied the occupation of the Ussuri region. First, China opened up the entire Manchurian frontier to Russian trade. Second, China extended “most-favored nation” rights to Russia—no nation would enjoy trading privileges superior to those of the Russians.⁷⁷ Third, there were limited agricultural uses for the Ussuri region at that time, as mentioned above.⁷⁸ The reason for acquiring the region, therefore, appears to be an attempt to bully China into granting the trading rights. It is also possible that possessing the Ussuri territory made it easier for Russia to develop an economic sphere of influence in Manchuria, and more difficult for Japan to do the same.

2.3 Troubled Times: Revolution, Civil War, and Imperialism

Although it was not apparent to anyone at this time, the Treaty of Beijing would be the last great achievement for the Tsarist government’s Far East policy. For the remainder of the century, Russia played little role in China’s affairs. It was able to secure railroad rights between 1897 and 1903, but its defeat in the Russo-Japanese war cost Russia almost all of her gains made prior to 1906.⁷⁹ Russia’s sphere of influence shrank to Outer Mongolia (which declared its independence shortly after the Chinese revolution)

and northern Manchuria. In order to recover some control over the region, Russia concentrated its colonization efforts around the Chinese Eastern Railway,⁸⁰ most of which remained in Russian hands after the Russo-Japanese War. The collapse of the Tsarist government and the resulting civil war against the Bolsheviks only caused a further weakening in Russian power, as numerous outer provinces declared independence and several foreign powers, including the Japanese, sent troops to intervene in Russia's internal affairs. Thus Russia—now the USSR—could not address any border region issues from a position of strength until 1924. Fortunately for the Russians, neither could China, because it was caught up in the warlord period, an era of little internal control and little effective foreign policy.

Although the Chinese government in Beijing was severely challenged by the warlords in the south of China, it was still recognized internationally as the true government of China until 1927. It was also strong enough in the north to regain some measure of economic control over the Chinese Eastern Railway. As the Russian Revolution continued to shift to the left, the Tsarist governor of Harbin experienced difficulty in controlling the newly formed Harbin Soviet. The Chinese took this opportunity to send in troops and regain sovereign rights in the region.⁸¹ Sow-theng Leong, an historian of Sino-Soviet relations, documents that the Chinese considered "that the railway was purely a business enterprise, and declared China was neutral in the Russian civil war."⁸²

The economic motives of the Chinese government were an extension of the sentiments that led the Chinese to declare war on Germany, and a foreshadowing of the Chinese participation in the Siberian Expedition. Japan launched the expedition in 1918

as the civil war raged in Russia and as a result kept the Soviet government in Moscow from extending its control into the Far East until the withdrawal of the expedition in 1922.⁸³ Beijing's next achievement, also economic in nature, was the opening of the Amur to Chinese shipping. (After the Treaties of Aigun and Beijing, the Amur River had become an inland river for Russia and China lost its ability to navigate on the lower Amur River). From 1918 to 1923 the Chinese traded unhindered on the Amur River.⁸⁴ The Amur success was followed by a failed attempt to reclaim economic rights in Outer Mongolia and a concerted effort at decolonizing Manchuria.⁸⁵

Unfortunately for the Chinese, their successes in dealing with the USSR, limited as they were, came to a rapid end as the USSR finally regained control of its internal situation. In 1921 Soviet troops entered Mongolia. In 1923 Chinese shipping on the Amur was blocked. And by 1924 China had recognized the Soviet Union and relinquished the rights to the Chinese Eastern Railway.⁸⁶ The Soviet promises to return the territories taken in the unequal treaties, so prevalent before the end of the Civil War, disappeared. The death of Sun Yat-sen and the rise of Chiang Kai-shek marked the end of China's ability to function as a competent international power.⁸⁷ Instead, the major players in the civil war—the Communists, GMD nationalists, and the remaining warlords themselves—all turned to the USSR for support. China was simply too weak during the warlord period to even consider border issues, whether concerning trade or actual possession. Instead, first Sun, and then Chiang, concentrated on consolidating power. The Russians, meanwhile, continued to expand their influence in Manchuria. Russia's influence, Quested writes, was so extensive that "by March 1931 it seemed to the British consul in Harbin that the region was going to become a Soviet buffer state like Outer

Mongolia.”⁸⁸ China had lost any say whatsoever over the border region of Manchuria, and would regain its current territory only after WWII and the end of the Civil War.

Sino-Soviet border problems concerning the Manchuria region faded away completely after 18 September 1931. On this date the Japanese invaded Manchuria, prompted by a bandit group’s sabotaging of the railroad near Mukden. The Japanese advance into Manchuria continued unabated for several weeks, despite Chinese appeals to the League of Nations and general worldwide protest. The Japanese incursions resulted in the establishment of Manchoukuo in March of 1932. The border issue, as it affected China, would not recur until after the Chinese civil war ended in 1949. During this period, the primary relationship would be that of the USSR and Japan’s puppet state of Manchoukuo. With the loss of both Mongolia and Manchuria, the eastern portion of the erstwhile Sino-Soviet border ceased to exist.

The USSR and Manchoukuo made no more progress in solving their border problems than had the Soviets and the Chinese. The Soviets, in no position to challenge the Japanese power in Manchuria, stalled all attempts at border delineation. This annoyed the Japanese, who, publicly, did not understand why the Soviet Union would want to cause trouble.⁸⁹ In support of its stance, The Manchuria Daily News published an entire book listing the Soviet infractions against Manchoukuo—which numbered over 500 by 1936—as well as several Western commentaries about the Soviet Union’s inappropriate handling of the border issue in the past.⁹⁰ The total number of border incursions for the 1932-45 period is estimated by the Russians and Japanese to be 1000 and 1850, respectively.⁹¹ The Japanese failed to consider, at least publicly, that the Russian model for advancement has been to secure one border (such as the Amur River)

in order to push beyond it (into the Ussuri territory). Assuming the Japanese used the same model, the Russians were understandably loath to give up any land whatsoever, unless they were forced, or at least were to acquire some compensation, as they had at Nerchinsk in 1689.

2.4 Communist Battleground

After the civil war broke out in 1945, the USSR moved to improve relations with the CCP, which had started to trade with the Soviets again. As Quested writes, “after the fall of Yenan on 19 March 1947, Manchuria became the most secure Communist base in the civil war. Its trade with the Soviet Union was considerable.”⁹² This cross-border trade was too considerable for Mao Zedong to overlook, however, and would soon affect his bargaining position. After he formalized CCP control over mainland China, Mao declared that he would renegotiate all borders with China’s neighbors. He also began to press the Soviet Union for implementation of the 1924 treaty. By 1963 China would demarcate its borders between all its neighbors except India and Russia.⁹³ Mao’s interest in securing his borders was as much an opportunity as a threat for the Russians, as Moscow thought it could, through proper economic pressure, get the Chinese to ignore the Sino-Soviet border problems.

The first steps to gaining influence over China were all economically based. In the Treaty of Friendship, Alliance, and Mutual Trade, the USSR provided US\$300 million in low interest loans to China. Over the next few years, Russia and China would embark on numerous industrial projects, mostly funded by Soviet credits. Through these

loans and credits, Stalin was able to keep Mao in the Soviet camp. Deeply in debt to the Soviet Union, Mao was in no position to press the USSR on any issue, including the border. The onset of the Korean War only increased China's debt, as China was forced to support the North Korean war effort with war material it acquired from Russia. Russia refused to give away its weapons systems, however, and China had to go further into debt to buy the needed weapons. Mao was not happy with this situation, but he was not in a position to do anything about it.

Over the history of Sino-Russian relations, there has been one notable shift away from economic motivations and towards ideology, although economic ties never fell away entirely. This shift occurred during Mao's life, and began in 1956, after the 20th Party Congress in Moscow. Chang Duck-Whan, a Korean scholar who chronicled the effect of the Sino-Soviet relationship on Korea, documents that "Sino-Soviet border disputes came to be tied with an ideological conflict at last with the 20th Russian Communist Party Conference in February 1956."⁹⁴ The de-Stalinization movement was a major factor in shifting the Chinese mindset away from support for Russia, as Mao had enthusiastically supported Stalin. Mao's debunking opened the possibility for critique of Mao, since Mao was a Stalinist.

As a result of the USSR's shift in ideology, Mao became determined to wean China away from Soviet aid. In the 1950s and early 60s, China was too closely tied to the USSR to push the border issue, but Mao set out to shift the balance of power back to China's favor. In 1960 China succeeded in delaying a repayment of a debt of US\$320 million.⁹⁵ Freeing China from Russia's economic domination would prove to be a difficult task, however, as by 1960 China had received a total of US\$450 million in loans

and US\$2.25 billion in credits and aid. China also piled up an additional 560 million rubles in debt in 1960 alone.⁹⁶

Mao succeeded in breaking his ties to the Soviet Union in 1960. Taiwanese China-watcher Yin Ching-yao, quoting a May 9th People's Daily report of a CCP Central Letter of February 29, 1964 to Soviet Communist Central, documents that:

Khrushchev and Peng Chen clashed head on at the third congress of the Rumanian Workers Party (now Communist Party) in June 1960. In the following months the Soviet Union pulled out 1,390 Soviet specialists from mainland China. It tore up 343 contracts and their supplements and abrogated 257 scientific and technical cooperative projects.⁹⁷

Beijing responded by continuing an already lengthy series of requests to begin talks on the border regions, to include Mongolia.⁹⁸ Although the requests were kept secret, the intent of the message was clear: Mao wanted the border issue solved, economics aside. He even turned down a later Brezhnev offer to resume military and economic aid, concluding that, according to Quested, the goods were inferior, ineffective, and out-of-date.⁹⁹

After this point actual Sino-Soviet military conflict appears inevitable, in retrospect, because Soviet actions after 1964 were far from friendly towards the Chinese, who refused to be controlled by their former allies. Joint Sino-Soviet plans for developing hydroelectric power along the Manchurian rivers fell through, for example. Instead, and on their own initiative, the Soviets then embarked on a program of extensive economic development in the Soviet Far East (Ussuri River region).¹⁰⁰ The Soviet Far East, along with Manchuria, is known to be a good location to mine or produce many minerals and ores, including: tin, tungsten, zinc, coal, oil, natural gas, ferrous metals, nitrogen-based fertilizers, gold, manganese, and more.¹⁰¹ Developing the Far East was one way for Russia to strengthen its claim on the region, as well as strengthen its position

vis-à-vis China proper. In early 1968 Soviet troops marched on Czechoslovakia in order to bring it back into the Soviet camp—a move that did not bode well for the future of China's independence.¹⁰²

The military build-up in the border region during this period was impressive, but dangerous. In the mid-1960s China had twenty-four divisions on the border, while Russia had fourteen.¹⁰³ Thus there was plenty of powder in the keg by the Spring of 1969. On 2 March 1969, according to Russian sources (the Chinese have never released their details of the incident), 300 PLA troops stole across the frozen Ussuri river and dug into camouflaged positions. From this position they were able to ambush a Russian patrol coming out to the island to remove what they thought were Chinese fishermen. In the fighting that ensued, the Russians suffered 45 casualties—31 dead and 14 wounded.¹⁰⁴ The Chinese casualty report has never been released. By 1971, two years after the Chen Pao skirmish occurred, the Russians had thirty divisions on the border. China had twenty-eight.¹⁰⁵ Ideology and outright hatred had replaced economic motives, although it was the removal of economic ties that allowed the ideology room to grow.

Sino-Soviet relations remained frozen for the next decade. The Chen Pao incident helped scare the two powers to the negotiating table, but nine rounds of talks over the next nine years yielded no results whatsoever. The Soviet Union did suggest several agreements between the two powers, including, according to Yin:

a mutual non-use of arms treaty in 1971; a mutual non-aggression treaty in 1973; a joint document in 1978 to set down the principles relative to Sino-Soviet relations....Should Communist China respect the position of these principles, the Soviet Union would be prepared to enter into negotiations at any time...¹⁰⁶

The Soviets now found it in their best interests to address the border issue, although their proposals rarely met Chinese expectations.

Despite the apparent good will displayed by the Soviets, however, the Chinese had reason to doubt. Three events serve to illustrate the point. In the first incident, in March of 1974, the Chinese succeeded in capturing a Russian helicopter and crew that had ventured 70 kilometers into Xinjiang. The Russians claimed it to be a waylaid medical mission, despite the fact that the Chinese had recovered from the helicopter ammunition, weapons, incriminating documents, and no medical equipment. The second instance of Russian ill will occurred in May of 1978. Eighteen armed motorboats, a helicopter, and approximately thirty Soviet troops crossed the Ussuri and began shooting at a group of about thirty Chinese. Lastly, in July of 1979, two dozen Soviet soldiers shot at four armed Chinese on the Xinjiang border, killing one and wounding another. These events proved conclusively to the Chinese that the Russians were not as willing to talk peace as they seemed at first.¹⁰⁷

2.5 Post Cold-War Developments

The cooling of relations lasted until 1986. In July of that year, Mikhail Gorbachev made a speech to Russians in Vladivostok, stating that "the USSR was ready, at any time and on any level, to discuss any questions with the Chinese leaders."¹⁰⁸ The Chinese, whose economy had grown since the initiation of Deng Xiaoping's reforms in 1978, accepted the offer. The first Sino-Soviet trade fair opened in 1986.¹⁰⁹ By 1989, the two sides were ready to announce the normalization of relations. Gorbachev's visit to Beijing, immediately preceding the Tiananmen Square incident, marked a turning point

in Sino-Soviet relations, and a return to economics as a primary factor in the relationship.

Not surprisingly, by 1991 the two sides were discussing demarcation of the border.

The Tiananmen Square incident of 1989 served to bring China and Russia closer together. Because China's standing with the West worsened as the US and Europe cut back on trade in response to the incident, China was forced to look to Russia for trade and military equipment. The Current Digest of the Post Soviet Press, the SUPAR Report (now RA Report), and the US press well document the sale of military equipment to China—advanced fighter planes, submarines, anti-aircraft missiles, and more. Non-military trade has also increased rapidly. A trade fair in 1988 netted civilian contracts worth thirty million Swiss francs, and a 1991 trade fair saw contracts signed by Russian and Chinese businessmen for over 160 million Swiss Francs.¹¹⁰ In a joint declaration issued on 10 November 1997, Russia and China estimate that cross-border trade will amount to US\$20 billion by 2000, up from US\$6 billion in 1996.¹¹¹

In light of the military purchases and the non-military trade across the border, both sides found it expedient to address the border issue once again. Although the first series of talks fell through after the Soviet Union dissolved in 1991, talks resumed in 1993, 1994, and again in May of 1997.¹¹² Although some Russians still protest the loss of several mid-river islands along the border that the treaties will require, the promise of stability—and the economic growth that will allow—is more intriguing to the bulk of Russian business and political leaders. Judging by the progress of the talks, which by making any progress at all become historic precedents, it is clear that both sides have found it to their economic advantage to address the border issue. Today, however, it is in

their joint interest to stabilize trade relations and demarcate the entire length of the border, both of which occurred on 10 November 1997.

Over time, then, we see a definite pattern emerge. The territory near the Sino-Russian border, as well as the border itself, was only an issue when economic gains were on the line. With the exception of the later Maoist period, this idea holds true. The treaties of Nerchinsk, Kiakhta, Aigun, and Beijing all had significant trading clauses. Although Russia was the primary aggressor in the relationship, China responded to the challenge within a framework bounded by economic considerations. Thus both parties to the conflict placed economics above any other force, including nationalism. Recent agreements show that economic motives remain the driving force in the relationship, and suggest that this will be as true in the future as it has been in the past. But will these economic motives be sufficient to keep the peace?

This is not to say that the forces of nationalism has not been, or never will be, an issue. It is always the case that popular feelings of nationalism can push a country into aggression, but rarely will a nation's leaders give in to nationalistic sentiment unless there are concrete economic gains to be made. Considering the natural resources located in Manchuria and the Soviet Far East, it is possible that the disputed territories will once again come to the foreground of Sino-Russian relations. As long as it is more economical to keep the peace, however, there will be no worsening of the relationship between China and Russia. This conclusion does not bode well for the possibility of cooperative projects in the region (at least in the near future), but the situation may not be as bleak as it appears. There are more factors to consider than just the weight of history and the tendency for all Sino-Soviet and Sino-Russian dealings to focus on economics. Chapter

Three will outline the case for cooperation, as well as the case against. It is important to weigh all the factors before rendering judgement.

CHAPTER 3

THE FACTORS AFFECTING COOPERATION

3.1 Factors Against Cooperation

Having surveyed the current literature on economic development in Asia, which suggests that cooperation not only is possible but probable, as well as the history of Sino-Russian relations, which shows that economic development is the driving force in Sino-Russian cooperation, it comes time to categorize the factors affecting Sino-Russian cooperation in Northeast Asia. There are several factors that work against cooperation, as well as several that work for cooperation. The most important factors working against cooperation are historical animosity, political ideology, financial constraints, and environmental threats. On the plus side are political necessity, the trends of current investments in the region, the potential economic benefits to be found in cooperation, and the existence of a common enemy in the United States and other western nations. As the following outline will show, the factors for cooperation are far weaker than those against cooperation.

3.1.1 Historical Animosity

The first, and perhaps most important factor working against Sino-Russian cooperation, is the historical animosity between the two countries. As a whole, the history of Sino-Russian and Sino-Soviet relations has been unfriendly at best, as outlined in Chapter Two. With the exception of the 1950 alliance between the Soviet Union and

China, there has never been any formal agreement of alliance between the two countries. Instead, each country has tried to gain economic or political advantage over the other. The rivalry between Russia and China goes back to the Second Opium War, during which Russia annexed over one million square kilometers of Chinese territory north of present-day Manchuria.¹¹³ Russia also managed to annex the Tashkent region north of Xinjiang, acquire a lease to Port Arthur, and build a railroad across Manchuria, all before the turn of the century. Tsarist Russia was thus as set on carving up China as was any other Western power.

The transition to communist rule in Russia did little to help the situation. Stalin supported the nationalist Guomindang (GMD) party over the Chinese Communist Party (CCP) for almost the entire period before the Chinese revolution in 1949. Mao Zedong never forgot this fact, or the fact that the Soviet Union never returned the lands that Russia annexed in 1858 and 1860, despite promises in 1919 and 1920 to do so.¹¹⁴ Despite the US\$300 million in aid that the Soviet Union provided under the terms of the 1950 treaty, Mao never gave up on the border issue, which remained unresolved until November of 1997. As late as 1957 Chinese history textbooks included maps depicting Tashkent, the Soviet Far East, and Sakhalin Island as Chinese territory.¹¹⁵ China was not about to lie down and accept the Soviet Union's claims to Chinese land, nor was China about to accept the Soviet Union as the leader of the communist world.

By 1960 China was firmly opposed to cooperating with the Soviet Union, and its actions for the next thirty-five years worked against the Soviet Union. China began to fund communist rebels in Africa, hoping to supplant the Russian communist influence there. It also continued to press the border issue, which elevated from occasional border

incidents almost to open warfare in 1969. In March of that year a skirmish on Chen-Pao Island resulted in 45 Russian casualties and unknown Chinese casualties.¹¹⁶ In 1972 China thawed relations with the United States, hoping to weaken the Russian hand. In 1979 China condemned the Soviet Union's invasion of Afghanistan and also launched its own invasion into Vietnam, a fairly close ally of the Soviet Union. It was 1986 before the two countries began talks on normalizing relations between the two countries.

3.1.2 Political Ideology and Power Politics

Ideological problems between the two countries have not been limited to the 1960s, or even to the Cold War. The simple fact that the Cold War is "over" has little bearing on the realities of Northeast Asia. While it is true that Russia has abandoned her communist label and China is all but ignoring hers, it is equally true that Moscow has a Prime Minister who "mollifies" Duma communists to gain personal support, Beijing is still run by the Chinese Communist Party, and North Korea is a Stalinist regime.¹¹⁷ The ideology card remains in the deck, even if its value has been reduced.

The problems of politics extend beyond traditional communist ideology, however. There is sufficient nationalist ideology and local politicking to take up the slack from reduced communist ideology. Political relations are still touchy at best, despite Beijing's and Moscow's claims to the contrary. On both sides of the border it is easy to pick out anti-Russian or anti-Chinese sentiment among common people or even regional political figures. However, this is most obvious on the Russian side of the border, for several reasons. First, most cross-border migration consists of Chinese entering Russia, resulting

in Russian dissatisfaction with immigration policies. Second, the recent border agreements between China and Russia call for more sacrifice from the Russians than the Chinese. Third, the regional leaders are well aware of the political advantages of targeting China as an enemy, especially in times of political and economic crisis. Finally, and most importantly, Moscow is too far and too weakened to exert much control over the Russian Far East.

Immigration across the border is extremely one-sided—from China into Russia—and serves one of two purposes: work or crime. Those involved in work are generally engaged in construction, farming, the timber industry, peddling goods, and other jobs the Russians consider below themselves. This helps foster a sense of Russian superiority and does little to further Sino-Russian relations. Furthermore, many of these Chinese are working illegally. There are 30,000 or more Chinese working legally in the Russian Far East, according to Chinese statistics.¹¹⁸ Russian sources, on the other hand, estimate as many as one million Chinese live and work in the Russian Far East; the vast majority of Chinese workers in Russia, then, are not legal. The result is a Chinese population that is vulnerable to crime—whether perpetrators or victims—and that is held in low esteem by local Russians.

Because these Chinese are uncounted and illegal, they can easily hide their criminal activity. As the victims of crime, they cannot go to the police, lest their illegal status be discovered. As the perpetrators, their activities are difficult to monitor. Chinese crime can take any form, from working without a visa to Chinese-on-Chinese crime to outright smuggling deals with Russian criminals. Smuggled goods, which cross the border in both directions, include animal pelts, drugs, gold, even non-ferrous metals.¹¹⁹

Having such a vast majority of Chinese workers fall under an illegal or, at best, quasi-legal status can hardly sit well with local Russians and their regional leaders. The following excerpt from an *Izvestia* article expresses just how serious Primorskii Krai officials are in targeting illegal Chinese:

In connection with this, the "Plan on Measures Regarding the Concentrated Use of Force and Weaponry Within the Framework of Operation Foreigner" was worked out. Whoever has had the occasion to read it must certainly have thought that Primorskii Krai had declared war either on opponents who were armed to the teeth or on a frightful epidemic. "In connection with the upcoming holidays... attempts at group breaches by transgressors into China are most probable in the sector of the Grodekovo border detachment. Their tactics will include preliminary preparation; arrival in villages close to the border; traveling without luggage, in groups (two or three persons); the use of Russian citizens as accomplices to deliver the basic engineering and technical devices by automobile to places where the border will be breached; striving in one rush to negotiate the distance up to the border line; putting up resistance upon arrest, including with the use of knives and homemade firearms."¹²⁰

The sheer numbers of Chinese involved in illegal or quasi-legal activities are certain to instill a strong anti-Chinese bias among local Russians. In return, Russian criminals and smugglers (often of weapons) provide cause for anti-Russian sentiment within the Chinese ranks.

Further strengthening the anti-Chinese bias is the series of border delineation agreements that Moscow has made with Beijing. As previously mentioned, Russia was able to annex one million square kilometers of what is now the Russian Far East from China in the mid-19th century. Part of this claim included the islands in the Amur and Ussuri Rivers, which now make up parts of the China-Russia border. Under the terms of the treaty signed in 1991 and subsequent meetings in 1994, 1997, and 1998, Russia relinquishes control of several marshy islands totaling 3,700 acres in area. What these islands lack in economic or strategic value, however, they make up for in sentimental and symbolic value. Russians fought and died on these islands in 1969 and 1938, prompting patriotic Russians to demand that no land is returned to the Chinese.¹²¹

Local and Regional politicians are well aware of popular sentiment against the Chinese, and openly pander to it. Primorskii Krai Governor Yevgeny Nazdratenko often plays on such sentiment, declaring that he will not abide by the border agreements.¹²² Nazdratenko needs all of the support he can muster. He stands at odds with the leaders in Moscow, from whom he wants more regional autonomy, as well as with local mayors. Former Vladivostok Mayor Viktor Cherepov, for example, refused Nazdratenko's order to step down in December 1998, and barricaded himself in his office.¹²³ Nazdratenko supporter Yuri Kopylov eventually replaced Cherepov, but the incident reveals how tense the situation can be. Consider the additional factors of local economic slump and national financial crisis, and it becomes clear why Nazdratenko and others are keying on anti-Chinese sentiment—they need a target onto which to redirect Russians' anger and frustration at current circumstances.

Finally, Moscow is too far away to enforce its will if Nazdratenko refuses to comply. Although there is a geographical component to this distance, most of it takes the form of political or psychological distance. This particular corner of Russia was some of the last land to be annexed by the Russian empire. Since its annexation, it has been relegated to second-class status, for several reasons. The first is, of course, the sheer distance from Moscow, which caused major logistical problems that later brought defeat during the Russo-Japanese War. Because of this distance, relatively little attention was paid to the Russian Far East. Secondly, Russia is, essentially, a European country—or, more accurately, a country that is neither European nor Asian, yet desires to be European above all else. Russian historian Nicholas Riasanovsky describes this as an ongoing debate between the "Westernizers" and the "Slavophiles."¹²⁴ The Westernizers won, and

the Russian Far East was forgotten. The result is a province that is economically depressed, politically ignored, and out of Moscow's control. Even if Moscow decides to progress with joint Sino-Russian economic projects, local authorities could very well sabotage any plans.

3.1.3 Financial Constraints

It would be a grave omission to discuss the challenges of economic development in Northeast Asia without mentioning financial problems. Some of these are problems in Russia, some are problems in China, and some are regional problems. All together, they form a massive barrier to development. Without investments in infrastructure, communications, and industry, there can be no progress in Northeast Asia.

The Russian Federation inherited the Soviet Union's economic problems, poor planning, and bad decisions, causing a fairly smooth continuation of economic collapse in Russia despite the change in government. The year 1997 marked the first since the fall of the Soviet Union that real GDP growth was positive, although only slightly.¹²⁵ The Russian government has become a revolving door through which new Prime Ministers, cabinet members, and Dumas arrive, depart, and come back again. Even the Executive Branch is in chaos—President Yeltsin is constantly ill, does little actual leading, and is still in the midst of his own impeachment attempt as of early 1999. It is unclear as to who is in charge, who should be in charge, and what to do next.

When the actual financial numbers are considered, the picture becomes bleak indeed. In February 1999 the IMF again suspended loans of over US\$10 billion, which

have been on-again-off-again since December 1998.¹²⁶ The IMF has provided several loans to Russia, each totaling approximately US\$10 billion. The United States has also joined the IMF in throwing money at Russia, adding its own US\$10 billion loan during the 1996 Russian presidential campaign. So too have other nations moved to restructure Russian debt over the last few years. The Paris Club allowed Russia to delay paying off loans totaling US\$40 billion, spreading it out over a twenty-five year period.¹²⁷ Furthermore, total Russian wages in arrears amount to thirty billion rubles; of this the federal government owes approximately a third.¹²⁸ Estimated payoff dates have been pushed back into mid-1999 at best. In short, Russia has no money to put towards developing the Russian Far East.

China has its share of financial and economic challenges as well. The first problem is the rapid growth rate and the pressures of trying to develop too much too quickly. The average rate of real GNP growth for the 1980s was 9.3%—without 1989, the year of Tiananmen, that number would be 9.9%.¹²⁹ By 1992 the growth rates were back into double digits. Most of this development is taking place in the southeast portion of China, however, with little focus on the northeast. For example, all of the first five SEZs authorized were located in the southeast, and only one of the first fourteen “Open Cities” declared in April 1984 was in Manchuria. The southeast has a huge lead over the rest of the country, and brings in most of the money overall. Available money, therefore, will be more likely to be funneled south rather than north. The Chinese economy must withstand the pressures of the current financial crisis, as well as the internal stresses of rapid growth, such as great inequality of income, a lack of an educated work force, and

insufficient infrastructure before it can concentrate on developing its northeast provinces. China's priorities are simply focused elsewhere at this point in time.

One of those other focuses is on internal corruption, which steals money from development projects. The corruption in China is, of course, infamous: in a pattern not surprising to those familiar with communist systems, inefficient state-run industries ran yearly losses, mostly due to too many workers, low worker productivity, and the resale of company stock to private industries that could not get the state-subsidized rate.¹³⁰ Low-interest loans from government banks worsened the problem, as good money was thrown after bad in an attempt to keep as many people employed (and thus placated) as possible. Today, the financial status of the major banks in China is uncertain, and many may be technically insolvent. Because the books must be falsified to cover the diversion of state resources into private hands, no one can be sure where any of the money actually went, or just how extensive the losses from corruption have been. China scholar Kenneth Lieberthal counts eight different kinds of corruption, including corruption from the dual price system described above, from a high-consumption policy, by local rural officials, by the offspring of the elite, and concerning weapon sales.¹³¹ This is a natural product of the communist system and has been noted (to varying degrees) in other communist countries.

Only within the last few years have state and bank losses grown to the extent that privatization must move forward, and some businesses must be left to fend for themselves in the market, even though this would mean certain bankruptcy. It is far better for the Chinese government that businesses fail rather than the central banks. A failure of the central banking system would probably collapse the entire economy, much

as in Japan. To limit the damage, the central government announced in 1997 that many state-run enterprises would gradually be cut loose from government subsidies. This means unemployment for many in cities like Shenyang, where the state still owns 85% of the businesses, but the central banks cannot leak like sieves forever.¹³² Hopefully, the ongoing campaign against corruption will serve to slow the flow of money to unauthorized sources and allow Beijing to ease the transition to a market economy (thereby reducing social unrest and turmoil). The recent execution of two men convicted of smuggling \$6.8 million worth of pagers into China is only one example in a long line of well-publicized cases meant to cut down on corruption.¹³³ No one wants to admit it, but there is a serious threat that China may soon follow her Asian neighbors into economic collapse.¹³⁴

Regional problems only make the situation worse. As mentioned above, most of Asia suffered a financial and monetary collapse in 1998 that still affects the region today. The problems in Thailand and Indonesia quickly spread to the rest of the region, leaving China as the only major country not to devalue its currency. No one knows for sure how long China can avoid following its neighbors, given the costs of not devaluing (such as increased inflation, or having to spend reserves of foreign currency in order to prop up prices) and the impact on an economy already busy privatizing and fighting corruption. This forces China to divert even more money from economic development programs. Other countries in the region find themselves in no position to fund economic development in Northeast Asia either. South Korea, originally one of the primary investors in the Tumen River project (see Chapter Four), has suffered greatly from the currency crisis and now has foreign debts of approximately US\$170 billion.¹³⁵ Another

major source of potential funding for projects in Northeast Asia is Japan, but Japan remains mired in a decade-long economic slump.

No one knows how serious the problems in Japan are because the government refuses to force banks and big businesses to open their books. Instead, big business continues to conceal the extent of their expenses and losses, thereby continuing a pattern of waste and corruption that goes back fifty years. After W.W.II the central government needed to support and guide big businesses, so it provided low interest loans from the banks. These companies then spent some of their money electing or buying off politicians who would support their activities with appropriate legislation. These politicians would then "buy" the votes of constituents by channeling pork barrel projects into their districts, hire local businesses, ensuring further financial support from them. Schlesinger, in his book on corruption in the Japanese political machine, concludes, "the costs required for holding the system together were huge, in the form of blatant favoritism, monumental amounts of pork, and gold-plated corruption. In many ways, Japan, Inc. was a gaudy, inefficient mess."¹³⁶ Eventually, this vicious circle of greed, corruption, and covering up landed the Japanese government at least \$1 trillion in bad loans, which the banks cannot reclaim and can hardly afford to absorb.¹³⁷

Perhaps when the regional economic situation improves, more money for development in Northeast Asia will appear. Until that time comes, however, it is difficult to think that there will be any progress in Northeast Asia. There are other places where investment dollars are better spent, such as pulling Southeast Asia out of the currency crisis or revitalizing the domestic economy.

3.1.4 Environmental Threats

Environmental threats to cooperative agreements take two major forms, both of which threaten the planned economic development in Northeast Asia. The first of these is pollution. Russia and China both have extremely poor environmental records over the last fifty years. This is due primarily to the philosophical approach Marxists apply when it comes to the environment. The environment is not something to work around, but to work to one's own advantage. Man can control nature, and should bend it to his will, Marxism dictates. Thus the Communist Party in both countries completely ignored the environment in their race to catch up to the West in terms of industrial output, technological development, and nuclear capability. After fifty years of blatant disregard for the health of their land and their people, however, the damage has reached critical proportions, and has rendered some regions completely uninhabitable. Although not all of the environmental problems are attributable to the communists, the land, water, and air on the two countries are far worse than before the communist revolutions.

Although Russia's environmental damage is located mostly in the eastern half of the country, there is a significant pocket of damage around Vladivostok that we must address. D. J. Peterson, a researcher at RAND, distinguishes three levels of environmental damage: conflict, crisis, and catastrophe.¹³⁸ There are three areas of crisis-level damage (defined as taking decades or even centuries to reclaim) along the Sino-Russian border, the most significant of which is around Vladivostok. Also located in the immediate Vladivostok region—and the location of a significant military base—is an area of "catastrophe," which can never be reclaimed.¹³⁹ This pollution consists of air,

soil, and especially water pollution. The Amur River, the primary river in the region, which also runs along most of the Russia-China border, is listed as “heavily contaminated” along its entire length. It receives 543 million cubic meters of un-treated or partially treated effluent discharges every year.¹⁴⁰

The situation on the Chinese side of the border is better, but still with its own share of problems. Like Russia, much of this is water pollution. Harbin, Heilongjiang, and Shenyang, Liaoning, produce 151 million and 129 million tonnes of industrial wastewater ever year, respectively.¹⁴¹ This ends up in local rivers or seeps into the groundwater. Slightly further west—but still within the provinces that make up Manchuria—the problem is soil erosion. Richard Edmonds writes, “by the 1980s soil erosion was serious on over half of the cultivated land with one-quarter of the cultivated area so eroded that over half of the 70 to 80 centimeter thick black soil layer had been washed away.”¹⁴² This data, as is the case with the above data for Russia, is based on 1988 or 1990 survey data, now a decade out of date. Considering the development over the last ten years, the situation must certainly be even worse.

The reason these problems exist in such magnitude is that the two countries have done little to correct the problems they face. In Russia, there is simply no money for environmental protection. The Russian government cannot even pay its employees on time, much less set aside the necessary funds for environmental protection. Nor can Primorskii Krai afford to shut down the industries in Vladivostok, for they provide the jobs and income for the city. Thanks to a Soviet planning strategy that concentrates all national production of a certain good in one factory (the “monopoly effect”), there are no alternative production sites, and no alternate means of income.¹⁴³

The second aspect of the environment that affects efforts at development is the presence of various wildlife, some of which is endangered. The most well known of these are the Siberian Tiger, which inhabits the region permanently, and the White-naped Crane, which is a seasonal visitor. Because it has remained relatively undeveloped over the last fifty years, this region has become a safe haven for species like these that no longer have sufficient habitat elsewhere in the region. Even the Demilitarized Zone on the Korean Peninsula has become an important preserve to some of these species, highlighting the fragile nature of their remaining habitat. Because the region is already polluted, extensive development will meet with opposition from environmental groups and organizations such as UNEP.

Together, pollution and animal rights pose a significant threat to economic development in the region. The endangered and rare flora and fauna in the region require protection from further human encroachment, and world environmental agencies and some local populations are aware of this. Any development in the region, therefore, will (and in some cases already has) received much criticism. Yielding to this criticism can turn potentially economically profitable regions into preserves or sanctuaries, thereby declaring valuable timber or ores off-limits. The existing pollution compounds the problem because it already forms a threat to life in the region, rendering the area much more susceptible to any damage or loss to the environment that development would cause. Furthermore, existing pollution threatens the health of humans in the region as well, making it dangerous for workers to drink the water or breathe the air. The region may be near the point at which environmental problems hamper development.

3.2 Factors Supporting Cooperation

The factors against cooperation present a very bleak picture. Before we can completely write off any cooperation between Russia and China, we need to consider the factors that support cooperation. "Politics makes strange bedfellows," as they say, and so may be the case with China and Russia. The weight of history is great, but sometimes the pressures of today are even greater. We must look at three important factors that have a positive effect on cooperation. These factors are political necessity, potential economic benefits, and having a common enemy. There are significant economic gains to be found in jointly developing Northeast Asia, many of which will be discussed in the next chapter. If internal or external political pressures apply the proper stresses, we could see our strange bedfellows cooperating once again. The remainder of the chapter is a more detailed assessment of the three factors.

3.2.1 Political Necessity

Neither Russia nor China is known for its political stability. This is true primarily because communist rule has, over the last fifty or seventy years, produced economic systems on the brink of collapse. Chaos and starvation is only a disaster away in many parts of Russia and China, and a reality in a few. Reports of Russian cities reduced to barter economies have been common over the last year or two, as have reports of Chinese rivers that have been tapped so extensively that they fail to reach the ocean in summer.¹⁴⁴ The governments in Moscow and Beijing need to provide economic opportunities and

political stability, or else they will lose their legitimacy—Russia, because it is a fledgling democracy, and China, because it still holds to communist ideology.

In China, the CCP still rules, and has shown that it will do anything it takes to keep control. If that means gunning down protesters or jailing priests, so be it. Chaos has always been the overriding fear in China, and a CCP that loses its legitimacy has every reason to expect unrest and trouble. The CCP now relies upon economic growth to justify its rule, as do many authoritarian systems under the assumption that economic growth will prevent people from demanding democracy. China needs a new achievement to add to its list of successes, and developing Northeast Asia could be just what the CCP needs to show it still has the best interests of the Chinese in mind. It may cost a significant amount of money to build the infrastructure and industries necessary to support joint projects in the region, but Beijing has proved—through its continued support of state-run enterprises that fail to turn a profit—that it is willing to spend money to buy social stability. Northeast Asia, more importantly, has the potential to be a profit-making venture, as opposed to the state-run enterprises. Considering this, it becomes clear that cooperating with Russia might be politically beneficial after all.

The same sentiment is felt on Russia's side of the border as well, albeit for slightly different reasons. The government in Moscow also wants to provide economic prosperity and political stability, but in order to support democracy, not communism. It did not take too many months of shortages and rampant inflation before Russians began to reminisce about the “good old days” of communist rule, when there may have been nothing to buy, but everyone could afford it. Middle-of-the-road democrats are under pressure from the communists on one side and nationalists on the other. The government in Moscow is in

desperate need to prove two things. First, that they can maintain economic stability. If that means selling as many weapons as possible, so be it. Second, that they can maintain political stability and retain a place on the world stage. If that means taking a vocal stance against NATO or the United States, so be it. Like China, Russia needs economic and political status, and just might be willing to enter into cooperative agreements with China for political reasons.

3.2.2 Potential Economic Benefits

The largest area of economic cooperation between Russia and China is clearly arms transfers. Since the fall of the Soviet Union in 1991 China has been able to purchase a wide variety of military hardware from Russia. A partial listing includes twenty-six SU-27 fighters (with more on the way), four batteries of SA-10 surface-to-air missiles, several Kilo-class submarines, Il-76 transports, and at least two destroyers.¹⁴⁵ Rumored or actual Chinese planned purchases include an aircraft carrier, SU-30 fighters, MiG-29 fighters, and Russian T-80U tanks.¹⁴⁶ Chinese expenditures on arms in 1992 alone totaled US\$1.2 billion.¹⁴⁷ Future expenditures will most likely continue to be high, for several reasons related to the fall of the Soviet Union.

First, weapons from Russian companies are easily obtainable, especially when compared to acquiring arms from Western nations. The People's Liberation Army (PLA) can approach either the Russian government itself or the arms manufacturers within the country. As recently as 1996, for example, an article in the Russian newspaper *Sevodnya* wondered who was in control of Russia's arms exports.¹⁴⁸ The prospect of a convenient

source for cash plays a major role in Moscow's decision to sell these weapons to China, a decision the cash-strapped arms companies in Russia certainly welcome. Unfortunately for Russia, the transfers serve to provide a potential (and certainly historical) enemy with the best high-tech equipment available in Russia. The Russian government has done little to stem the tide of arms sales to China, and has even aided it by selling production rights for the SU-27 to China.¹⁴⁹ For the Chinese, there is little of the hassle associated with acquiring Western weapons, the sales of which were suspended after the Tiananmen incident in 1989.

Second, Russian arms are much cheaper than their Western counterparts. This fact is of course offset by the lower quality of Russian weapons (with the exception of air-to-air and surface-to-air missiles), but China's military lags far behind both Russia's and the West's militaries. China still flies MiG-21 fighters and Tu-16 bombers, both 1950s technology—a far cry from the 1990s technology that the United States fields.¹⁵⁰ China's technology gap is so wide that China could purchase technology twenty years out of date and yet update its force by twenty years worth of technology. The inexpensive nature of Russian weapons allows China to upgrade more of its force for less money, an important aspect for the PLA, which has to modernize its entire force of 4,000 combat aircraft and bulk up its skeleton navy. If the PLA hopes to close the technology gap between China and the United States, it will have to rely on inexpensive second-hand arms to do it.

Less alarming forms of cooperation between Russia and China include cross-border trade and oil exploration and development. Cross-border trade has been slow in growing since its start in 1987, but has climbed to US\$6 billion in 1996. According to

the agreements signed in November of 1997, trade is estimated to grow to US\$20 billion dollars annually by the year 2000—an estimate that seems extremely high given recent events.¹⁵¹ Although this is not a large amount by American standards, the potential for even more growth does exist, if both sides were in a position to pursue it. A recent article in the *Beijing Review* notes that “economic and trade links lag far behind political ties, and the full potential for economic cooperation has yet to be tapped.”¹⁵² As the economic ties between the two countries grow, each government will have more at stake and more reason to take a friendly stance towards the other. These ties will also allow each country to rely less on the Western world.

Oil production and transportation developments, interestingly, are not entirely between China and Russia but between China and several of the Central Asian republics, such as Kazakhstan and Tajikistan. There are of course several deals in the works to pipe Russian oil and natural gas into China, but most are still at the “feasibility study” stage after years of planning.¹⁵³ Thus China has turned to Central Asia for additional sources of oil for its rapidly expanding economy (China has been a net-importer since 1993). Despite this shift in focus, Russia still plays a major role in the region, and views the Central Asian republics as “the Russian backyard.”¹⁵⁴ China has recently struck a deal with Kazakhstan to build a pipeline across China, and will invest US\$3.5 billion in the Kazak oil company Aktyubinskneft.¹⁵⁵ Chinese influence in this region tends to offset the influence of American companies, which have been in negotiations with Turkmenistan in order to get access to Central Asian oil and to increase American influence in the region. Russia has watched these developments closely, and should view China as a potential ally and a welcome alternative to American influence. Russia

disapproves of perceived American attempts to "oust Russia from the so-called post-Soviet space and to declare certain regions of the CIS an 'American special interest zone."¹⁵⁶

Another significant area of economic cooperation is the Tumen River Economic Development Area (TREDA), which is attempting to pull together the financial, natural, and industrial resources of China, Russia, the Koreas, and Mongolia. Although the project is estimated to require another five years and \$2-3 billion before it will be ready to go, Beijing officials are still hopeful, having already rushed to build roads, railroads, and a more advanced communication network in the region.¹⁵⁷ China needs the jobs, foreign investment, and market for its resources. Russia also needs to access its natural resources and an increase in the trade across the trans-Siberian railroad—as well as the millions of dollars in trade this free-trade zone would bring. Until Russia can stabilize its banking system and curb government spending, however, it will not have the cash to run the country, much less complete its share of the TREDA.¹⁵⁸ It will take some time for the Russian economy to stabilize, but once it does the TREDA can move ahead. The next chapter will investigate the Tumen project in depth.

3.2.3 A Common Enemy

Political moves by the United States and the other Western organization, such as the UN, are often not well received by either China or Russia. China and Russia each have different problems with Western interference, but in each case the primary antagonist is the United States. The government in Beijing is well aware of the role that

America plays in keeping China out of the WTO, just as the government in Moscow is well aware of the role that the United States plays in NATO. Both perceive the United States as a major force in the United Nations as well. Although the pressures come from different directions, they come from the same source, and give the Russians and Chinese even more common ground, as well as a threat against which to respond. Neither power wants a single-polar world and, as the *Beijing Review* documents, "both of them are willing to contribute their due share to the establishment of a new equitable and reasonable international order in which no one country dominates the other."¹⁵⁹ These types of comments from the *Beijing Review* are clearly directed at the United States, to whose will "a diversified world is not willing to be subjected."¹⁶⁰

The primary form of Western pressure on the Russians comes from NATO expansion. NATO has recently accepted former Warsaw Pact countries Poland, Hungary, and the Czech Republic into NATO, and may accept the Baltic States in the 1999 round of expansion.¹⁶¹ Russia, on the other hand, although it has signed the Russia-NATO pact, essentially remains little more than a Partnership for Peace member. The members of NATO are undecided over whether or not to allow NATO's original enemy into its ranks. Moscow has stressed its opposition to NATO expansion many times, and was the most likely reason the Baltic States were not admitted in the most recent round of expansion. In general, NATO has downplayed Russia's concerns, which stem from having a Europe-wide military alliance in its front yard. Historically, Russia has taken every opportunity to keep a buffer zone between the Russian heartland and the rest of Europe. Moscow is well aware that a thousand-mile advance into Russia has stopped more than one invasion in the last two hundred years. The loss of that buffer zone is

therefore of great concern to the Russians, who have no reason to trust that NATO is successfully redefining itself.¹⁶²

Further problems for the Russian government come from a perceived lack of American support for the democratization and privatization process. With the exception of the lead-up to the 1996 election, which the Western powers feared the communists would win, funding for Russia's transition to democracy has been scant. The United States promised just US\$4.5 billion in aid in 1992, most of which never came through due to lending restrictions; another US\$1.6 billion arrived in 1993.¹⁶³ Since then, the American government has preoccupied itself with FBI and CIA reports about the global threat of Russian crime and the spread of weapons of mass destruction (nuclear weapons, nuclear technology, etc.).¹⁶⁴ Until Russia shows some progress in stabilizing the problems mentioned above, Congress will be loathe to give money to Russia. Even the US\$60 million given to Russia to ensure its participation in the building of the international space station was hotly debated. In Russia, this could easily be interpreted as lack of support for the reforms already in place.

Russian reaction to the American assessment of the situation in Russia has been cool at best. Many cities in Russia have been reduced to a barter economy, the unemployment situation is bad, and inflation continues, yet the CIA seems more concerned about Russian crime than anything else. One widely read newspaper, the *Nezavisimaya Gazeta*, responded to American accusations, "It is clear that the former CIA directors couldn't care less about the crime situation in our country. Russia has to be made to toe the line because its independent development has ceased to serve Western interests."¹⁶⁵ The article concludes that, "the United States is directly implicated in the

criminalization of Russian society.”¹⁶⁶ Both the communists and the nationalists try to paint a picture of malevolent foreign involvement in Russia, receiving voter support.

As a result of political instability in Russia, American business investment in Russia has been limited—at the beginning of 1998, the sum of accumulated foreign capital in the entire Russian economy amounted to US\$21.8 billion (of which the United States accounted for less than one third).¹⁶⁷ Western businessmen point to the lack of governmental controls and the widespread influence of the Russian Mafia, which might control up to half of the Russian economy.¹⁶⁸ This lack of investment not only creates challenges for Russia’s democratization and privatization, but it also could prove costly to Western investors who “miss the boat.” A 1995 report on economic conditions in Russia concluded that:

“Ninety to 95 percent of potential investors are waiting for stability to come to Russia—stability in the Western sense,” the report said. But it added: “They may miss their chance. Many firms can lose potential earnings if they wait until 2000. Those who wait beyond 2000 will lose the most.”¹⁶⁹

It appears, at least to Russian sources, that America only pays lip service to Russia’s drive towards democracy and capitalism.¹⁷⁰ Lagging economic ties with the West mean that Russia has fewer reasons to act in concert with the West—and the United States. It also fuels claims that the West is only interested in the dollars, not the democracy, to be gained from Russia.

Western pressures on China are vastly different, but nonetheless led by the United States. One of the primary areas of conflict on which China and the United States “agree to disagree” is human rights. Russia acknowledges that it suffers from—and is actively fighting—human rights abuses, such as child prostitution. China, however, either denies the presence of human rights abuses, such as the torture of Tibetans or forced abortions,

or else refuses to classify certain actions as abuses, including the imprisonment of “counter-revolutionaries” (called political prisoners in the West) or the use of prisoners’ organs for transplants. These issues have been major stumbling blocks to Sino-US relations in the last decade, and have ended in threats of boycotts, embargoes, and the suspension of Most Favored Nation (MFN) status.¹⁷¹ On his trip to the United States in 1997, American protesters hounded Chinese General Secretary Jiang Zemin over China’s human rights policies. President Clinton also made comments on human rights issues during his reciprocal visit to China during the summer of 1998. Beijing clearly views the United States as the leader in the attack on China’s human rights record, and enjoys full Russian support of its position.¹⁷²

Sino-US problems go beyond human rights, however. As mentioned above, human rights issues have threatened to affect China’s MFN status, but since 1994 human rights have been de-linked from MFN consideration. Instead, economic issues, such as tariffs and software pirating, now affect China’s trading status. The large software and entertainment pirating industry has been a problem for several years, peaking in 1996 when the US threatened economic sanctions if China did nothing to crack down on pirating.¹⁷³ In general, abuse of IPRs in China is widespread; the loudest victim is the United States. Adding the complaints about the US\$40 billion trade deficit, the United States clearly becomes China’s primary economic opponent. In the debates over human rights and economic rights, China and the United States have little common ground.

Another major issue of strategic importance is America’s relationship with Japan and Taiwan. As the regional economic power in the Pacific next to the United States, Japan is China’s primary “target.” Every set of maneuvers we run with the Japanese—or

for that matter South Korean—military is closely watched by the Chinese. China also watches our alliances and agreements with Japan, and requires constant reassuring that joint US-Japanese agreements are not anti-Chinese agreements. So too the case with Taiwan. Every dealing America has with Taiwan, whether it is the sale of F-16s or Li Tenghui's private visit to the United States, is met with protests from the Chinese government. For example, a recent press release from the Chinese government stated:

the US sales [of F-16s to Taiwan] interfered with China's internal affairs and seriously damaged the cause of peaceful reunification of the Chinese people and Sino-US relations. The Chinese side expressed strong displeasure and firm opposition to the move and has lodged a strong protest with the United States.¹⁷⁴

Every action that might suggest that Taiwan is an independent country must be answered by a flurry of diplomatic messages and press releases reconfirming the fact that China-Taiwan relations are internal in nature and do not require foreign interference. Thus there is little common ground over the issue of Taiwan and its international status.

China and Russia, on the other hand, have sufficient common ground for an alliance to appear interesting, at the very least. Between the increasing trade and cooperation between the two countries on the one hand, and the antagonistic role the United States plays on the other, an alliance at least political in nature seems appropriate. Although Russia and China deny plans for an "Eastern Axis,"¹⁷⁵ the factors mentioned above have the potential of overriding present-day assurances of peace. There are, however, a few factors that keep China and Russia from drifting together. The historical relationship between the two countries is the primary detracting factor to consider, as the past has rarely seen these two countries on friendly terms. This history, along with conciliatory actions by the United States, is what has kept Russia and China from a full alliance.

CHAPTER 4

CASE STUDY: THE TUMEN RIVER DEVELOPMENT PROJECT

If there is one project or activity that epitomizes the state of affairs in Northeast Asia, it is certainly the Tumen River project. The project brings together all of the factors for—and against—Sino-Russian cooperation discussed in Chapter Three. Unlike much of the cross border trade over the rest of the China-Russia boundary, this project is massive in scale and requires the full support of and coordination with the national governments in order to be effective. It is these large-scale projects that reveal just how closely Russia and China are willing to work—or just how difficult that cooperation can prove to be. For this reason it is the focus of Sino-Russian economic cooperation is the Tumen River project.

The end of the cold war radically changed the nature of international relationships, especially in Europe and Northeast Asia. As unexpected as the end of the cold war was, however, far stranger has been some of the peaceful developments that have followed. Perhaps strangest of all is the idea that five countries as ideologically and historically opposed as North Korea, South Korea, Mongolia, Russia, and China could together create an international trade zone to rival those in the West. Yet that specific scenario has already been proposed, as early as 1989. It is called the Tumen River Area Development Project (TRADP), and calls for the countries mentioned above to pool their financial, manpower, and natural resources to create a seaport complex at the mouth of the Tumen River, which divides North Korea and Russia and is near the Chinese border. Figure 4.1 shows the area surrounding the China-Russia-North Korea border.

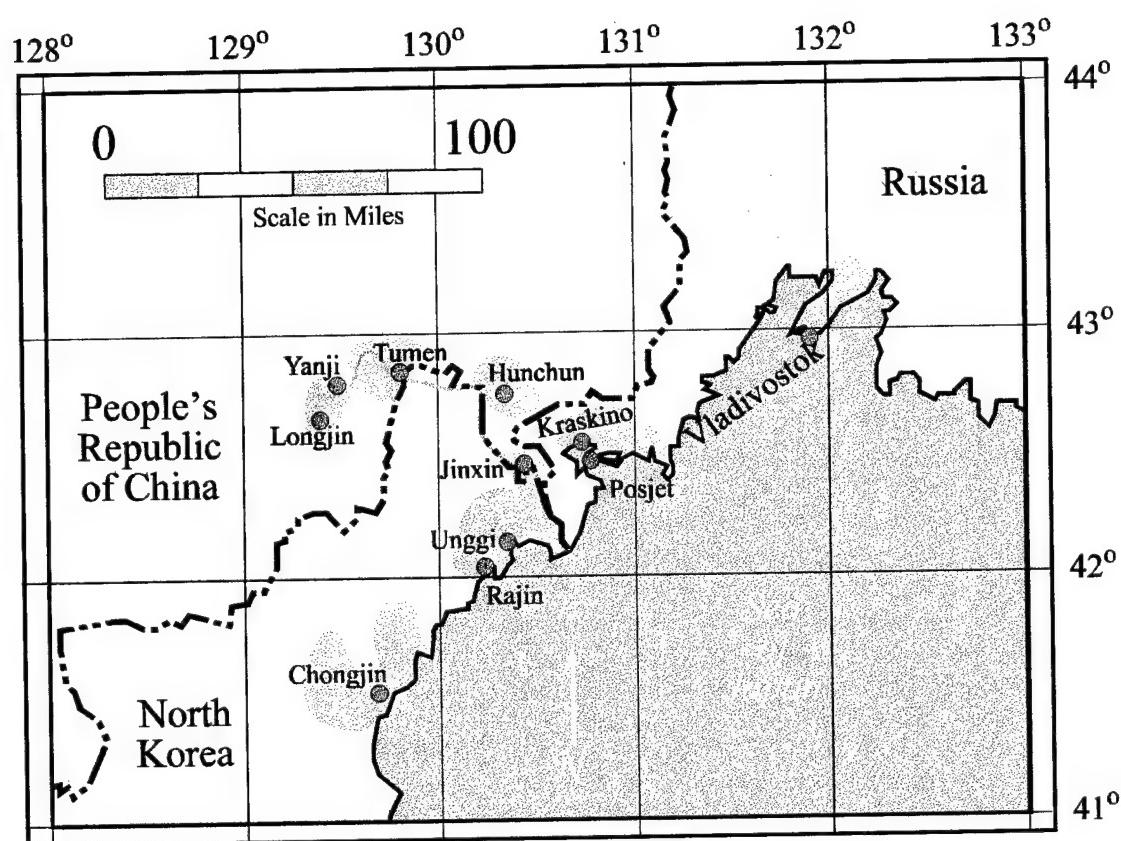


Figure 4.1. The Tumen River Region, with Development Regions

Some consider the TRADP to be the "next Rotterdam." Others consider it to be little but a pipe dream, doomed to be buried under a mountain of problems stemming from international law, finance, and even basic trust. Either way, the mere fact that these six countries are even considering cooperating is a major accomplishment. Given the history of the region, few would expect these countries to work together towards any goal, even the goal of making money. If there is one place in the world where historical memory and continued hatred should kill any prospect of cooperation, it is Northeast Asia. Yet the project moved forward after its official endorsement by UNDP in 1991, and is still considered an active project, in spite of recent problems. But have there been any tangible results in the last few years? Will there be any in the near future? The situation in the region has changed drastically since 1991, both for better and worse.

Chapter Four concerns itself not with the entire project as a whole, or the effects of the project on all of the major countries involved. Instead, it will focus on the two most important countries involved in the project—Russia and China. As the primary suppliers of resources and manpower, China and Russia are the two most important actors in the region. This chapter will also focus on more recent events (those since 1994), in order to present an accurate picture of the project as it stands today. It is important to understand the progress these two countries have made, and the obstacles that lie ahead. This chapter will highlight the roles that China and Russia play, and the impact of current developments on the two powers.

This chapter is broken down into four major sections. The first is a brief history of the project, from its genesis in 1989 to the present day. Second is a close look at the Chinese side of the equation, to include the planned Chinese contributions to the project,

the benefits that China plans to receive, and the continuing challenges to maintaining its end of the project. Third is a similar look at the Russian side of the project. Finally, this chapter looks at some of the outside factors that either are affecting or will affect the Tumen River project in the future and draws some conclusions about the recent past and the recent future.

4.1 The Original Plan

Although the first ideas for the Tumen River Economic Zone (TREZ) were initiated by papers at the East-West Center, located at the University of Hawaii, Manoa, real interest for the program did not start until 1991, when the United Nations Development Program first enforced the idea.¹⁷⁶ By April of 1992 the UNDP had promised US\$30 billion in funding and the Beijing Review was declaring the region to be the “Far East’s Future Rotterdam.” Only Rotterdam, the world’s largest port, would have an annual capacity similar to the expected 300 million ton capacity of the Tumen area.¹⁷⁷ The region was separated into three different regions, for ease of reference. The smallest of the three regions is the Tumen River Economic Zone, which encompasses a region of about 1,000 square kilometers within the rough triangle formed by Rajin, North Korea, Hunchun, China, and Posyet, Russia. Larger than the TREZ is the Tumen Economic Development Area (TEDA), another rough triangle with apexes at Chongjin, North Korea, Yanji, China, and Vladivostok, Russia. This area is approximately 10,000 square kilometers in area. The surrounding area makes up the third region and is simply referred

to as the Northeast Asia Regional Development Area. It contains approximately 370,000 square kilometers.

The cooperative forum is meant to include more than just the three neighbor countries, however. Mongolia is also included, because the region of untapped resources extends into eastern Mongolia. South Korea is included both as a source of capital and possibly for continuity should the situation on the Korean Peninsula change. South Korea also has access to technology and management that China and Russia lack. Finally, Japan is also an important player, because it too has high levels of technology and management—and, until the Japanese economy hit its slump, capital as well—to add to the project. At this point in time, however, Japan is still not an official member of the project. It has an observer status but is expected to join if the project ever clears the political hurdles in front of it. Although outside investors such as the United States, the UN, or the EU may also provide funding for the project, officially they are neither part nor expected to become a part of the “Tumen Six” (T-6).

The official give-and-take chart of surpluses (+) and deficiencies (--) looks something like this:¹⁷⁸

Table 4.1. Surpluses and Deficiencies in Northeast Asia

	Capital	Technology	Management	Labor	Energy	Raw material	Farming	Livestock	Industry
China	--	--	--	+	+	+	+	NA	NA
Japan	+	+	+	--	--	--	--	--	+
N. Korea	--	--	NA	+	NA	+	--	--	NA
S. Korea	+	+	+	--	--	--	NA	NA	--
Mongolia	--	--	NA	NA	NA	+	--	+	NA
Russia	--	NA	--	--	+	+	--	NA	--

In general, the plan calls for a pooling of natural resources and manpower from China, North Korea, Russia, and Mongolia, along with capital and technology from Japan and South Korea.

But can the formers' brawn and the latters' brains work in harmony? The situation has made little improvement since the end of 1994. Legal, political, and bureaucratic problems still need solving. Near the end of 1994 The Far Eastern Economic Review painted a gloomy picture of the future of the project. The UN had closed its New York Tumen River Economic Development Project (TREDP) office and transferred all responsibility to its Beijing office. North Korea suffered from continued political instability, and is still not a member of the Asian Development Bank (ADB). Neither is Russia. Japan had not joined the group and maintained a running political conflict with Russia over the Kurile Islands. Russia refused to lift tariffs for Chinese goods crossing Russia to the Sea of Japan. And, on a more local note, the Russians and the Chinese could not agree on what gauge of railroad track to use in the region (Russian is wider than Chinese). The only positive step is the decision to redefine the boundaries of the newly title Tumen River Economic Development Area (TREDA)—Hunchun China, Chongjin, North Korea, and Vostochnyy, Russia.¹⁷⁹

The project is far from dead, however. The Beijing Review and China Daily News have both reported on the progress over the last two years. Among other advancements, an October 1995 trade fair generated US\$1 billion in trade agreements and that China and Russia were to test a solution to the railroad gauge problem by the end of 1997.¹⁸⁰ Additional estimates from joint Sino-Russian sources predict an increase of cross-border trade from US\$6 billion in 1996 to US\$20 billion in 2000.¹⁸¹ China-South

Korea trade has grown to the point that China is now South Korea's largest trading partner. Trade deals like these promise to draw the countries together in the future and make the TREDA more and more profitable. Additionally, the Sino-Russian border agreements signed in November or 1997 help to calm the political scene, which has caused so much of the strife in the region.

The experts have weighed in on both sides of the issue, and have pointed out the myriad plusses or minuses that should make or break this project. The relationship among all of the powers involved is obviously more complex than it first appears. Because Russia and China are the two major players in this political and economic game, we must investigate their situation before we can draw conclusions about the project as a whole.

4.2 The Chinese Side

Northeast Asia consists of the Korean Peninsula, China's northeast region (normally known as Manchuria), and the Russian Far East. Historically, this region has long been a zone of conflict. The Japanese occupied Manchuria from 1931-1945, and Korea from 1895-1945. Preceding the Japanese involvement, the Russian Czars succeeding in annexing a million square kilometers of formerly Chinese territory. The reason this region has been so contested historically is partly for geopolitical reasons—standard imperialistic clashes—and partly economic. Manchuria, for its part, has a vast hydrocarbon (coal and oil) reserve, forests, productive cropland, minor iron ore deposits and, especially in the north, a surplus of water resources, including sites for hydroelectric

power. Japan, South Korea, and to some extent the west are extremely interested in these resources, some of which extend into eastern Mongolia.

These mineral and natural resources are northeast China's greatest contribution to the project. There are significant untouched reserves in the region, left unused due to regional instability, Chinese technology limitations, or transportation challenges. As it currently stands, agricultural products, timbers and fossil fuels in Heilongjiang and Jilin have to transport through Dalian or Tianjin, one thousand kilometers away. In contrast, all of the eastern border of Heilongjiang is less than three hundred kilometers from the Sea of Japan (across the Russian Far East), and comes within one hundred kilometers in the southeast. The Tumen River project promises to bring the stability and cooperation necessary to get those resources extracted, processed, and sold, bringing more income and more development for the region and China as a whole.

China's second primary resource is its manpower. Of China's 1.2 billion people, at least eighty million make up a "floating" population that has moved from the countryside to the cities looking for work. Understandably, a floating population of this size (larger than many countries) is a threat to stability, and the Chinese government has a great interest in combating unemployment, which will only worsen as the government forces more state enterprises to make a profit or shut down. The creation of new jobs on the scale that the Tumen River project requires will provide much-needed jobs for floating workers in Shenyang, Dalian, Beijing, and beyond. The fact that China's GDP per capita is only \$2,800—even after adjusting for purchasing power parity (although \$2,200 may be a better estimate)—makes the labor pool in the region all the more promising.¹⁸² The region already has high agricultural and industrial output per capita, so

it should be able to absorb the additional population without excessive strain on the local economy.¹⁸³

There remain, however, many challenges, the greatest of which are a lack of infrastructure and the managing growth. One of the primary reasons this wilderness has not been utilized is the lack of infrastructure. To offset this, China has invested what capital it does have in a highway through Manchuria to Hunchun, near both the North Korean and Russian borders, and a railway to Russia (at Kraskino).¹⁸⁴ A massive pipeline project with Mongolia and Russia is in the planning stages. Hunchun was declared a Special Economic Zone in 1992, in order to spur growth and investment. And Jilin has already earmarked US\$2.8 billion for 28 infrastructure projects and over 100 industrial projects.¹⁸⁵ It will take time to finish these infrastructure projects, which will slow the pace of development in the region. China's economy has already experienced high rates of growth over the last decade, as well as the resultant inflation, which forced Chinese economic planners to slow down overall economic growth. Managing the growth in the TREDA will have to be balanced with keeping inflation from getting out of hand again (as it did a decade ago). Figure 4.2 shows the primary railroads in the region. Most of the railroads are also flanked by a major roads, which have been removed from the map for clarity.

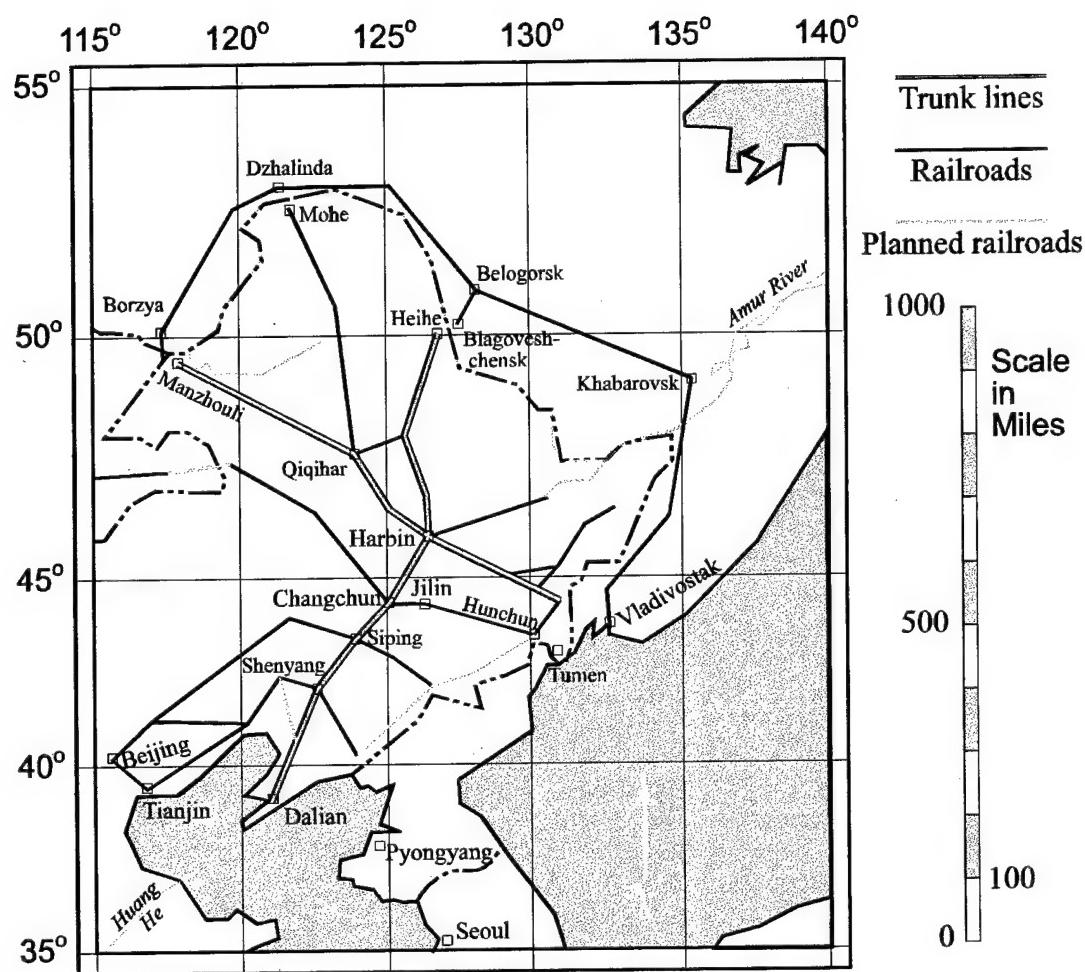


Figure 4.2. Railroads in Northeast Asia

4.3 The Russian Side

In terms of inputs, the Russian Far East is in very much the same situation as is China. Energy and raw materials are also a strong point for the Russians, and will constitute their primary contribution to the project. The Soviet Far East is known to be a good location to mine or produce many minerals and ores, including: tin, tungsten, zinc, coal, oil, natural gas, ferrous metals, nitrogen-based fertilizers, gold, manganese, and more.¹⁸⁶ Forestry and logging are also widespread in the *Krai*. The natural geography, similar to regions across the border in China, is conducive to hydroelectric power. What the Russian Far East has not been able to do is harness any of this energy, and little of the resources. Primorskii Krai, for example, suffers from disruptions in power supply and has the lowest per capita income in the region (within Russia), at 738,000 rubles.¹⁸⁷ Foreign investment from Japan, South Korea, and overseas could provide the foundation for giving the Russian Far East the economic boost it needs.

If the Russian Far East has a second important contribution to the project, it is the land itself. Since 1860 Russia has controlled all of the formerly Chinese territory bordering the Sea of Japan, and China has had no port on that body of water. A major part of the program calls for the development of Russian ports, to include Posyet and Zarubino, and free access to these ports for all parties to the TREDP. Ideally, the area is to become a visa-less area in which international and regional businessmen can come to do business without the hassle of trade barriers and tariffs. Whether or not this project will achieve this sort of "Asian NAFTA" status is yet to be seen. Either way, Russia

serves as the primary path for transportation of Chinese good to the Sea of Japan, since it is—and for the foreseeable future will be—more developed than North Korea.

The overall picture on the Russian side is not as rosy at the politicians in Moscow or Beijing would have the world believe, however. First, the economy of the Russian Far East is poor at best. As mentioned earlier, the *Krai* that comprises the southeastern part of Russia has the lowest per capita income in the region. The situation is so poor that within the last year Evgenii Savostyanov, deputy head of the Russian Federation Presidential Staff, characterized Primorskii *Krai* as “worst crisis-stricken region in the Far East and in the country as a whole.” He went on to claim that “the huge sums of money transferred to the region disappear as if down a drain.”¹⁸⁸ As recently as five years ago Russian sailors in the Far East Fleet (based at Vladivostok) began to die of starvation. At least two cases were reported at the time. The situation has improved little since then, apparently.

In his comments about his findings concerning the economic situation in Primorskii *Krai*, Savostyanov placed most—if not all—of the blame on the regional governor—Evgenii Nazdratenko. Nazdratenko has been a thorn in the side of Russian president Boris Yeltsin and others in Moscow, but he has refused to resign. He has whipped up opposition to the land border agreement of 1991, which eventually led to demarcation of the Sino-Russian Manchurian border in November of 1997. He also opposes the use of Chinese laborers in the region, playing to Russian fears of being outnumbered and eventually run out of the *Krai*. (The *Krai*’s population is less than three million, whereas the three provinces of Manchuria have a population of one hundred million people—two thirds of Russia’s overall population.) Russian hatred of the

Chinese is already a problem that extends decades into the past, and Nazdratenko does not help the situation.

This is only one of the problems that the Russian side brings to the TREDP. The second major hurdle facing the TREDP is support for development projects outside of the TREDA. Primorskii *Krai* already has two major ports on the outer fringes of the TREDA—Nakhodka and Vostochniy. Both constitute alternate sources for investment and, since they are already established, can draw investment away from more southerly ports like Zarubino and Posyet. A proven port has numerous advantages over new ones, especially when the new ones are in close association with countries such as North Korea and China. As long as uncertainty about North Korea's political instability and China's commitment to economic liberalization remains, it will be difficult to secure investment in the region.

4.4 Continuing Outside Problems and Their Effects

There are also a number of external factors that will affect the future of the project and the ability of the Russians and the Chinese to cooperate. Problems arise from Japan, Korea, and even the environment itself. These problems present many difficulties, some minor, some major. Some will take care of themselves in time. Some will require China and Russia's attention. And some threaten not to go away at all.

The first significant external challenge to the project is Japan's stagnant economy. Recently released IMF estimates for the world growth rate in 1998 are based on the assumption that Japan can keep its economy at zero growth. Unfortunately, Tokyo

officials have suggested that even a goal as low as zero growth is too optimistic. The Japanese economic slump has had little sign of turnaround since the bubble of high hopes and speculation burst seven years ago. Recent developments, such as the banking scandals over the last couple of years, have only worsened the situation. Given the IMF estimates, there is no reason to believe that the Japanese turnaround will come anytime soon.

A second problem, similar to the Japanese banking crisis, is the Asian currency crisis of the last few months. Although the IMF predicts that the Asian markets should begin to turnaround soon, significant damage has been done to the value of Asian currencies. This has greatly reduced the amount of capital available from Southeast Asia, and shaken the confidence of investors. Because the linkages of the world economy mean that economies as far away as the United States will be touched by the crisis, there is no reason to believe that China will not feel the effects of the crisis. Although Premier Zhu Rongji has to this point refused to float the Renminbi relative to the dollar, analysts still watch and wait. Any money invested in the region is at risk of greater-than-average risk, because no one is sure when (and even if) the crisis will hit China, and what course it will take. In general, money in Asia is tight, and that means additional funding challenges for the TREDP.

The currency crisis only exacerbates the existing funding problems. Japan lacks the willingness to invest what money they have in TREDP, Southeast Asia lacks money all together, and western investors have been scared off. As mentioned earlier, Russia has other ports in the region to challenge Tumen, which can also draw investment away from TREDP. The UN has also backed out of funding after an initial US\$30 billion

dollar investment planned for improvements in ports, airports, railroads, community development, and other contingencies.¹⁸⁹ Funding from the World Bank is difficult to acquire, as the World Bank loans not to international projects but to individual countries. This makes coordination of funds very difficult and increases the problems concerning insuring the World Bank grants get spent on the proper portions of the project. Thus acquiring the funding and investment necessary for progress on the project is difficult to secure.

As if funding problems were not enough, the Chinese and Russians also have to deal with cooperation problems—not Sino-Russian, but Sino-Korean and Russo-Korean. North Korea is a politically unstable country and is an economic cripple, unable to feed its own population. It is also staunchly Communist—economically, not simply politically. Yet North Korea is expected to take the capitalist road and promote the development of Rajin and Sonbong as special zones. In fact, the entire region surrounding the two port cities is to be converted (eventually) into part of the tariff- and visa-free TREDA. Given the high level of political control in the country, it is difficult for North Korea to develop without risking political stability. As is seen in issues such as nuclear proliferation and Korean Reunification, the North Koreans can be difficult partners with whom to deal. Add the concept of North Korean-South Korean cooperation, and it becomes apparent that slow progress with North Korea should be expected.

Finally, in order to present a well-rounded picture of the overall situation and the outside pressures acting upon it, we must consider the environment. It did not take long before environmental activists were taking up arms against the proposed project, for a

number of reasons. First, there is a major marine reserve near the mouth of the Tumen River. This will be polluted by planned dredging of the mouth of the river (the river depth at the mouth of the river needs to be increased from nine to twenty-four meters), as well as by the increased pollution. Second, the Tumen River delta serves as a rest area for several rare bird species. They do not live in the Tumen River area, but the marshy delta is used during the migration seasons. Third, the Amur Tiger—another endangered species—inhabits the nearby region. This is the only location on earth for the animals, and they number in the dozens.¹⁹⁰ There are numerous other endangered birds, fish, and mammals there as well. Fourth, there are concerns that the timber industry is doing and will do additional damage to the region's environment. Finally, there are indigenous people in the region, primarily Manchu in origin. Any one of these problems could apply significant pressure on the project if environmental groups press the issue. All of these problems taken together could provide some large obstacles for the project to overcome.

The case against the Tumen River project is substantial. There is sufficient promise of progress, however, that the project may succeed in one form or another. Many of the problems cited above may prove temporary, and the others can be adequately addressed as the need arises. The primary challenge of capital will fade as China and Russia make more unilateral progress towards the stated goals. Japan will become more interested when it becomes clear that trans-Siberian transport of goods to Europe is possible through the TREDA, and will be able to invest more as its economy comes out of recession. The rest of the world will follow suit as China and Russia prove they can work together—even Southeast Asia will become a source for investment, as the

currency crisis ends over the next year or two. Thus one of the major external problems facing China and Russia will be temporary in nature.

The issue of North Korea is also temporary. The stalemate that exists on the peninsula cannot continue indefinitely. Whether the issue will be settled peacefully or not remains to be seen, but North Korea is simply unable to continue its existence as a closed communist state.

The environmental issue is more serious, and has long-term implications if the problems are not dealt with in a timely and rational manner. The loss of these habitats and species of animals could upset the ecological balance in the region. Thus preservation is an important issue that parties on both sides of the border must address. Yet so is development. In time, the developers and the environmentalists will be forced to come to some agreements about the region. The potential economic profit and environmental loss are too great to ignore, ensuring that all sides will have to agree to some basic preservation measures. This does not mean the end of the TREDP, however, as it is possible to plan mankind's activities around the natural world. The United States has been involved in environmentally-friendly development for years, showing that it is possible to develop without damaging the environment. In time, this too shall pass.

The major challenges to the Tumen River project exist not outside the Sino-Russian relationship, but within. The historical animosity between the two powers is a major challenge, for example. Both sides will have to work towards understanding, or at least tolerance, on important issues. Instead, the local government in the Russian Far East plays up to Russian fears and stirs up emotional sentiment against the Chinese. Other issues such as legal definitions, basic law itself, and business issues such as tariffs

and quotas need to be addressed. Until the two sides forge a common ground based in international law and mutual cooperation—mutual trust is too much to ask at this point—progress will be slow indeed. Because the issues between China and Russia are more intense, and because the two countries form the foundation of the project, they will be the ones to guide the pace of progress on the project. The other countries will have to follow China and Russia's lead, as soon as the two countries decide to which beat they are dancing.

CHAPTER 5

IMPLICATIONS AND CONCLUSIONS

5.1 Strengthening of Russia and China as regional Powers

In the previous chapters we have seen that although it is highly unlikely that China and Russia will be able to work out any large-scale cooperative agreements when it comes to economic development in Northeast Asia, it is still possible. Given that it is possible, the important question becomes: what are the implications? Nothing exists in a vacuum, least of all the interactions of countries as large as Russia and China. Continued cooperation between the two would certainly affect the immediate region involved, if not the rest of the world. The possibilities arising from close Sino-Russian economic cooperation can be negative, neutral, or even positive in nature, as the rest of this chapter will detail.

The most negative aspect of a Sino-Russian alliance would be increased regional pressure. With the knowledge that each country has an ally in the UN and a secure border, both countries could begin to move more aggressively in their respective regions. Russia, for example, could step up its complaints concerning NATO expansion and the attempts of the United States to turn the UN into a sort of “puppet government.” China, on the other hand, could benefit from Russia’s political backing and continued arms sales, which would allow China to step up its claims on the Spratley Islands or other disputed territory. A third possibility is combined pressure in regions in which both countries have interest, such as Central Asia or Northeast Asia. Combined Sino-Russian influence could force the US out of the market for Central Asian oil. China and Russia

would also become major Pacific players, bringing Russia back into a position of prominence in the Pacific, if only as an ally of the Chinese.

Any of these scenarios would upset regional stability and affect the power balance in both Europe and Asia. Fortunately, neither country is in a position to threaten her neighbors short of nuclear attack. This allows the West not to take the Chinese or the Russians too seriously, and supports those who think the U.S. should take a strong position against China or Russia. Although a strong and dangerous Russia or China is an unlikely idea for the near future, there will come a time when one or both countries will regain their strength. China and Russia both have long historical memories, and the actions of the U.S. or the West may come back to haunt them once China and Russia catch up to the West. This is an important point that the West or the U.S. must keep in mind.

5.2 Increased Economic Ties to the World

A much more positive development would be increased economic ties to the rest of the world. Russia and China are the largest countries in the world not well integrated into the world trading system. Russia's economy is stagnant at best, and with the exception of the IMF loans, has little economic interaction with the West. The ruble is an unstable currency in the face of inflation and political insecurity, and always faces the possibility that Russia will halt trading. The more instability there is, whether from politics, inflation, or crime, the less foreign investment flows in, and the weaker the linkages to the world system become. Such is the state of Russian economics and politics

without the benefits of the economic development in Northeast Asia that could free the resources mentioned in chapter four.

China's linkages to the West are also weak. As a communist state—at least in theory—China is anti-capitalist. Given Lenin's theoretical predictions that imperialism will prove to be the final stage of capitalism, there is little evidence to suggest that China appreciates capitalistic international trade. Perhaps the final nail in the coffin is the fact that the consensus in Beijing opposes any trade practices that might make China dependent on or vulnerable to Western interests—this thanks to China's experience since the Opium War. China's currency, the Renminbi (RMB), is essentially unconvertible and extremely difficult to trade. For China, which still eschews capitalism and international business, the Hong Kong dollar is the only link to the world currency system. As it currently stands, there is very little incentive for China or Russia to make any attempts to integrate themselves in to the world system.

What increased economic development in Northeast Asia promises to do, however, is create those incentives. These incentives would come in several forms. First, foreign funds would indeed, as the Chinese fear, bring more money into the region and with it the interests and pressures of the investing countries. Owing money to a foreign power is always a good way to ensure continued pressure to stabilize, standardize, and conform to worldwide rules of economics and politics. So too is hosting foreign companies and their economic projects, which most development in Asia requires. Of course, this is not automatically a negative aspect, as standardization, if and when it does occur, will draw China and Russia closer to meeting entry requirements for the WTO, NATO, or other international organizations.

Second, increased economic development would provide legitimacy to two political systems in desperate need. Russia, which has a democracy but a failing economy, needs to prove that its political system is capable of running the country better than the communists did. To date, Russia has had little success in privatizing and recovering from the failures of the Soviet Union. As of February 1999 the IMF is still refusing to free funding for Russia on the grounds that there is too much internal resistance to market reforms.¹⁹¹ Increasing the economic status of the general population would decrease opposition to further market reforms and pave the way for IMF loans, political stability, and increased foreign investment.

China, which has a booming economy but a non-democratic form of government, needs continued growth to keep its citizens happy and uninterested in political reform. Historically, the Chinese have been quite satisfied with a non-democratic system of government if that government can provide an acceptable quality of life. Those expectations are going up very rapidly thanks to modern technology, communications, and the capitalistic ventures that already exist in China. The added problems of floating population and a development pattern that overwhelmingly favors the southeast portion of the country at the expense of the north and west only make the need for continued economic growth that much greater. Development projects in northeast Asia would provide jobs for some of the floating population as well as balance out the overall level of economic development in China.

One might notice the Catch-22 involved in this scenario—especially on the Russian side. Russia needs economic stability to legitimize its democratic form of government and produce political stability. Russia needs political stability to secure IMF

funds. However, it needs IMF funds to help balance out its debt problems and stabilize the economy. Economic stability should produce political stability, which would guarantee the IMF funds, which in turn would improve economic stability. The only link in the chain that can break this chicken-and-egg cycle is the IMF loan. It is far easier for the IMF to relent and provide funding—perhaps linked to certain economic development projects in the Russian Far East, where there are known economic reserves—than it is to create economic or political stability out of thin air. Unfortunately, the IMF refuses to provide funding without seeing proof that Russia has the stability necessary to warrant the loan. It is a situation reminiscent of trying to secure a bank loan—you only get one if you already have money. If Russia was financially solvent it would not need the loan in the first place. Thus in denying funding the IMF becomes a major stumbling block to integrating Russia into the world economic system.

China also faces its own setbacks, this time in its attempts to enter the WTO. As a non-member of the WTO, China is not able to access the same trading system as many of the other countries of the world can. China needs to make certain adjustments to its economic policies to meet entry requirements for the WTO. Entry into the WTO would give China access to better trading terms and increase its trade with the rest of the world. Increased world trade would promote further economic integration and, most likely, closer adherence to international property rights (IPR) agreements. Increased economic ties would also drastically increase the economic and political price for acting belligerently towards regional neighbors—thereby decreasing the likelihood of such action. Not being a member of the WTO decreases China's need to bring its trading policies in line with the rest of the world, which in turn decreases the likelihood that it

will be allowed in to the WTO. Economic development in northeast Asia would help stabilize the Chinese economy and draw it further into the international trading circle.

5.3 The Case for and Against Regional Stability

So, which case is stronger, the one against regional stability, which points to economic strength and an unfriendly Sino-Russian cooperative agreement, or the one for regional stability, which points to economic stability and integrated world trade? The answer has two parts. First is the current economic situation in the two countries. It is impossible at this time for Russia to produce the finances for development projects in Northeast Asia, leaving China as the sole financier unless they find foreign investors. The belligerence of any Sino-Russian cooperation is inversely proportional to the amount of foreign funding required, due to the linkages and pressures created from accepting foreign money. As long as China and Russia cannot fund their development on their own, their relationship will have to be at the very least neutral towards the rest of the world.

But that is only one half of the equation. The other, which is far easier for U.S. policymakers to control, is the approach the United States takes towards integrating China and Russia into the world economic system. The policy of "Engagement and Enlargement" (engaging countries on a political and economic level in order to enlarge democracy and capitalism) is a wise one. However, it is too often nothing more than a slogan. Real U.S. policy often serves to isolate Russia and China instead of engaging

them. This often takes the form of using international organizations as platforms to galvanize opposition to China and Russia and for advancing non-cooperative U.S. policy.

Although China and Russia frequently name the West as the antagonist when problems arise, they certainly consider the United States—as the leader of the West—to be the primary antagonist. As long as the United States attempts to lead the West or act unilaterally, China and Russia will be reluctant to cooperate in international affairs, if they will cooperate at all. The solution, therefore, is for the United States to step down from its role as world leader and act as a member of the world community when dealing with China and Russia. The world community can bring much more pressure to bear on China and Russia, and do so with much more legitimacy than can the United States acting unilaterally. As long as the United States acts unilaterally, Russia or China can simply claim that America is trying to force its will on them. As long as America is the “bully,” China, Russia, and other countries can divert Western pressure and find a basis for rejecting the West’s goals.

This line of action does not require the United States to cave in to demands from Russia or China, nor does it require the U.S. to subordinate its interests in the international arena. It does, however, require that the U.S. provide some significant, tangible gains for China and Russia if they do decide to play by international rules. It requires that the U.S. back down from courses of action that make it look like a hegemonic superpower, and instead make it obvious that there is much more to gain by working within the world system than against it. Although it is true that the U.S. is the world’s only superpower at this time, the U.S. does not have to shoulder the burden of world leadership alone. Indeed it cannot, as this is too expensive and counterproductive

among those countries which are unwilling to follow the American lead. The international community has forged organizations to share or take over the role of final arbiter in international political and economic relations, such as the UN, NATO, and the WTO. Some of these should embrace Russia or China now, and some should wait until internal political and economic considerations are met. Either way, these are the sort of visible benefits that China and Russia need to see.

First, Russia needs to be admitted to NATO. The best guarantee of peace in Europe is the complete transparency of all military forces in the region. Bringing Russia into NATO would open their forces to inspection and monitoring, allowing the rest of Europe to know the status of Russian military forces. This was the case with West Germany after WWII, and the case with a unified Germany in 1990. A Germany that was securely in the framework of NATO would not pose a threat to the rest of Europe, just as Russia in NATO today would provide similar benefits. It would also commit Russia—at least on paper—to refrain from taking military action against any of the other members of NATO. Greece and Turkey have avoided war in the past by being in NATO, showing that relations between NATO members do not always have to be cordial for the alliance to work.

Second, the U.S. needs to reduce its opposition to China's entry into the WTO, as it has done recently. This does not mean that the U.S. should necessarily support China's entry, but it should strive to present a united front with the rest of the WTO in demanding the proper changes before China joins. The WTO is too recent a creation to be under the sway of the American government, and also has the support of all the major industrialized nations in the world. In dealing with China's IPR infringements, tariff

levels, or quotas, the United States is wise to defer to the WTO. When China realizes that the entire world plays by the same set of economic rules, it will be more likely to change its stance on issues that the US has been trying to change for years. As long as the United States accepts WTO decisions against US interests, China cannot claim that the US runs the WTO. Instead, the WTO will gain legitimacy through US cooperation and thus be more likely to influence China's economic stance. The WTO can have similar effects on Russia, for if Russia sees that the entire world considers Russia too crime-ridden to be a safe place for investment, then the Russian government is more likely to change its position on the issue.

Just as the WTO can have major effects on China's and Russia's economic systems, the UN can have a major effect on human rights issues in China. If the United States accepts the UN's rules on funding and pays its dues, China and Russia will have less of a claim to the UN being a puppet government run by the United States. The United States should set the example in the UN just as it should in the WTO—work within the system to effect changes and accept the decisions of the UN governing body as a whole. Once China understands that the UN is not a plaything of the United States, the UN position on human rights becomes stronger. Changes in China's human rights record are most likely to occur only after China realizes it needs to make changes if it wishes to play a role on the world stage. As long as China or Russia considers the world stage an American stage, they will be reluctant to cooperate. The United States must not attempt to place itself "above the law."

If the United States approaches the issues of economic development in Asia, Russian entry into NATO, and Chinese entry into the WTO, then any Sino-Russian

cooperative agreement will not be antagonistic in nature. The natural economic and political forces at work—foreign funding, economic growth, and political stability—will succeed in bringing China and Russia into the international arena, thereby increasing regional stability. If there are close economic and political ties between countries, the likelihood of armed conflict between them decreases because the business lost will be greater than the gains won from conflict. There is no reason for two countries that are being forcefully isolated to behave as responsible members of the world trading community.

The primary problem that the United States faces is how to get China and Russia, two countries that are decidedly outside of the world system, to play by the same set of rules that the rest of the world uses. To date, the U.S. has acted as if internationalism is not only the accepted norm but also the natural state towards which all countries will naturally graduate. This is not true. All countries—but China and Russia particularly—exist within a realist international relations framework. Now that the Cold War has been over for nearly a decade, U.S. policymakers seem to forget that the entire world existed in a state of zero-sum, undeclared war for four decades. Not all countries have altered their outlook, and some, like Russia and China, may never do so. Any dealings with these two countries must be considered within a realist framework. Without it, their actions make no sense and mutual understanding is limited, if not hopeless.

U.S. foreign is missing an appropriate theoretical framework. In short, China and Russia cannot be treated as willing additions to the international arena. These two countries are locked in a realist outlook. More importantly, the analysis presented in this thesis suggests that they always have been locked in such an outlook, and always will be.

Four hundred years of Sino-Russian contact have been strictly give and take in nature, and the legacy of imperialism and anti-communism has only hardened their resolve. This requires that the U.S. take a different approach to dealing with the two countries. As outlined above, there are specific steps that the U.S. can take to ensure some measure of support for the international arena. These are not bribes or hush-money, but solid proof that the benefits of working within the international arena are greater than working outside of it. That is the only way that China and Russia are going to be brought into the world system.

China's and Russia's actions are the norm, considering the long history of international relations. All countries work within the realist framework—just ask the U.S. why it picks and chooses where it sends troops to enforce peace. It is why France left NATO in the 1960s and why England was so slow to get involved with the EU. What makes the West different from China and Russia is that the West have decades of cooperation under its collective belt, all while China and Russia were firmly rooted in communism and realism. China and Russia are therefore at least forty, if not seventy or more, years behind in political development. They cannot be expected to change their theoretical framework overnight. In fact, they most likely never will, making it imperative that the U.S. remember how to work within a realist framework. Russia and China require obvious gains and self-benefit before joining the world community, just as all countries have over the last forty years. The give and take of the world arena must be justified by concrete gains, or else China and Russia will not join. They cannot be expected to make sacrifices that are not in line with classical realist views.

There is one significant benefit to the West being ahead of Russia and China in term of international outlook. Having discovered that international cooperation is preferable to war for all parties, and convinced that realism is no longer a useful outlook, the West is in a position to give Russia and China the economic support they need. The internationalist view sees the benefits of working together, so it can be willing to give first, knowing that eventually China and Russia will see the benefits to cooperation and work peacefully with the rest of the world. There is no need for the West to continue the tug of war that zero-sum politics demand if enlargement and engagement (internationalism) is the wave of the future. Only time will tell if the U.S. will be successful in providing the proper give-and-take atmosphere for continued Chinese and Russian participation in the world community.

5.4 Conclusion

One thing is certain—no nation is going to cooperate with its neighbors or embrace a world political and economic system if there are no solid political or economic gains to be made. Cooperation between nations is not the natural state on the world stage. The state is, by definition, created by and for the use of force. Domestically, it holds a monopoly on the legal use of force. Internationally, it uses war as a legal and legitimate form of conflict resolution. If the United States wants to convince China (or Russia) that cooperation is better than conflict, then it must be obvious that it is in China's (or Russia's) best interest to cooperate. It is a difficult task, but not impossible.

Having stated this, it becomes clear how best to consider the possibility of economic cooperation for the development of Northeast Asia. The existing literature on economic development subject is mixed, although most of it shies away from dealing directly with Northeast Asia. Through association, however, we can glean a few important pieces of information from previous works. First, is that China does indeed have the potential for extensive economic development. There is plenty of debate as to how far China's half-socialist, half-capitalist bicycle economy can go before economic realities—like inflation, corruption, or the need for currency devaluation—drag it down, but the debate is over how far, not if China can develop. The second important fact is that Russia does not have the potential for economic development at this time. The few who worry about arms sales growing into something more significant are ignoring the catch-as-catch-can nature of the relationship—neither can get what they want elsewhere, so they turn towards each other. Finally, we have to conclude that recent research suggests that there are more weaknesses in the relationship than strengths.

These weaknesses are indeed many, as we have seen in this thesis. First among these, of course, is the historical animosity between the two countries. Americans often have a difficult time understanding the power of history, given their country's own short 225-year existence. We tend to forgive and forget readily, as our strong political or economic relationships with Britain, Mexico, Germany, and Japan show. Russia is a nation with one thousand years of history; China's is five or six thousand. Of those, the two have interacted for only four hundred, but in nearly every one the status of the relationship was neutral or worse. Throughout the communist period it only got worse, with the exception of the brief upturn in the early 1950s. China and Russia have never

had a significantly friendly relationship, and the weight of history factors into any agreements for the twenty-first century. Additional factors working against cooperation include power politics and ideology, massive internal and external financial constraints, and a natural environment that suffers from pollution and the threat to native or transient wildlife. Any development that occurs in Northeast Asia, whether in the Russian Far East, Chinese Manchuria, or North Korea, will have to overcome all of these obstacles.

Fortunately, there are factors that can motivate the two powers to continue their efforts at development. First among these is the potential economic benefit that will come from tapping into resources that have never been fully developed due to historical constraints. Second, and in some ways no less important, is the political necessity that economic problems and internal political stresses have caused over the last ten years. Necessity is, after all, the mother of invention, and current politico-economic problems have created an urgent need to invent friendship where none exists. Finally, the pressure that the United States and the other countries of the West place on China and Russia may also push them together and give them reason for solidifying their relations. Having no one else to whom to turn, it is not surprising to find them turning to each other. The weight of history may be great, but the realities of today are also strong. If it proves to be in China's and Russia's best interest to work together, then all of the pundits in the West are not going to be able to stop them.

The situation between Russia and China is one the West—and particularly the United States—needs to monitor closely. The implications of an unfriendly Sino-Russian alliance-- challenges to the UN, increased regional pressure, and more opposition to American action on the world stage—suggest that such a situation should be avoided if at

all possible. Although it is impossible for either the United States or the West as a whole to control the actions of either China or Russia, it is possible to ease the pressures China and Russia feel. There are several ways through which the United States can keep from exerting too much pressure on Russia and China, yet still meet all of its policy objectives. The most important is to switch from unilateral pressure and action to multilateral action, in order to show China and Russia that international peace and stability is in the interest of every country, not just the United States, and is supported by many countries, not just the United States.

Keeping Russia and China from a close alliance does not require strenuous effort on the part of the United States—the natural enmity between the two countries present a wall of suspicion and distrust that only fear of the West can override, as it did briefly in the 1950s. Although there is the potential for cooperation or even alliance between the two countries due to the economic and political ties they may forge, the current situation cannot produce a stable alliance. There is no threat of alliance as long as the United States does not act aggressively or unilaterally, as this will deny China and Russia the common enemy necessary for cooperation. The responsibilities and pressures of acting as equals on a world stage—if truly a joint arena, and not one run by the United States—should be sufficient to keep China and Russia from an alliance that is unfriendly towards the West and the United States.

ENDNOTES

¹ Full partners included China, Russia, North Korea, South Korea, and Mongolia. Japan was included as a source of funding, but as an observer, not partner. See Chapter Four.

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³ For the remainder of the paper, "Northeast Asia" is defined as the Chinese provinces of Jilin, Liaoning, and Heilongjiang; the Russian Amur Oblast, Khabarovsk Oblast, and Primorskii Krai; and North Korea. Other definitions occasionally include South Korea and/or Mongolia. Their inclusion or exclusion does not affect the nature of any of the arguments presented or referenced herein.

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⁴⁹ Ibid., p. 3.32.

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⁵⁵ Ibid., p. 48.

⁵⁶ Ibid., p. 68.

⁵⁷ Ibid., pp. 78-79.

⁵⁸ R. K. I. Quested, Sino-Russian Relations: A Short History (Sydney: George Allen & Unwin, 1984), p. 29.

⁵⁹ Vincent Chen, Sino-Russian Relations in the Seventeenth Century (The Hague: Martinus Nijhoff, 1966), p. 18.

⁶⁰ Quested, p. 30.

⁶¹ Ibid., p. 33.

⁶² *Idem*.

⁶³ The Imperial Court's confidence in the superiority of Chinese culture and civilization existed until the Opium War. Uncultured barbarians (such as the Europeans and the Russians), once exposed to the greatness of Chinese culture and civilization, were expected to automatically assume their proper position as inferior barbarian tributaries. This assumption was only fueled by the Russians who, by combining their trading and diplomatic missions, presented to the Chinese an ensemble that was "clearly" a tribute-bearing mission.

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⁶⁶ Chen, p. 109.

⁶⁷ Quested, p. 42; Chen, p. 110.

⁶⁸ Quested, p. 50.

⁶⁹ Tsui, p. 23.

⁷⁰ Quested, p. 51.

⁷¹ Ibid., p. 65.

⁷² During this period Russia not only gained territory but also rid itself of territory for economic reasons. In 1867 Russia sold Alaska to the United States for \$7,200,000 for purely economic reasons—the Russian-American company was bankrupt and the Tsar wanted to sell while a good price was negotiable. See John G. Stoessinger, Nations at Dawn: China Russia and America, 6th ed., (New York: McGraw-Hill, Inc, 1994), p. 131.

⁷³ Quested, p. 72.

⁷⁴ Ibid., p. 74.

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⁷⁶ All maps were compiled by Rebecca Morrison, a cartographer at the University of Hawaii Manoa, Honolulu Hawaii, and not previously published.

⁷⁷ Quested, p. 76.

⁷⁸ Ibid., p. 78.

⁷⁹ Ibid., pp. 84-85.

⁸⁰ The Chinese Eastern Railway was the Trans-Manchuria branch of the Trans-Siberian Railway, and was built by a joint Chinese and Russian company at the prompting of the Russian government. The railway

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⁹³ Tsui, p. 3.

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¹⁰⁰ Wong, pp. 76-9.

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